Audit and Finance Committee (AFC) Meeting Transcript – 11/18/2026

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[9:30:35 AM]

>> Good morning everybody. It's 930 on November 18th, 2026, and I will call to order this meeting of the audit and finance committee. We have a quorum of the audit and finance committee present this audit and finance committee of the Austin city council, and we are meeting in city council chambers, which are located in city hall at 301 west second street in Austin, Texas. The first thing, we're just going to follow the agenda here today. The first thing on the agenda would be public communications. It's my understanding we don't have anybody signed up to speak.

[9:31:04 AM]

>> That is correct, sir.

[9:31:05 AM]

>> Very good. So we will now go to item number one, which is approval of the minutes for the October 21st, 2026 meeting of the audit and finance committee. Is there a motion? Motion made by council member duchen, second by council member Fuentes. Is there any discussion? Hearing none. The motion is adopted with the mayor pro tem temporarily away. He'll be here in just a second. We'll get him. Get his vote when he gets here. And I don't know about council member Laine. The next item on the agenda is item number two, and that is to the discussion and possible action on the proposed audit and finance committee work plan for calendar year 2027. I'll ask for a motion. Just a second. But I think one of the

things that that we're we were just talking about, and I'll ask our auditor to correct me if I say something wrong here is we are scheduled as part of the work plan to have a meeting in January. The meeting is currently scheduled, but it is scheduled before we will have met as a council to appoint committees. So what has kind of been somewhat unilaterally decided, but that's why we're here. So it won't be just unilateral. What we will do is we will. And that's a very important it was a very important meeting of the audit finance committee, because it's going to be the first big report, if you will, of the external audit that is going on of the city. And they've got a number of things that they want to report back to us. What we've worked out. Subject to y'all being comfortable with it, is that we will not have that audit and finance committee meeting because we won't have an audit and finance committee.

[9:32:47 AM]

Instead, what we will do is we will move that meeting where the external auditor was going to report to us to a work session of the council. We will beg, we will plead, we will cajole, we will do whatever we need to do to get the city manager to leave just that on the work session, because it will be it will be a big thing. And I hope he's listening. Because this is the beginning of the begging, pleading and cajoling. And and what we will do is make that just that work session. That is part of our concept of what we're going to be doing next year. And I just want to bring that up now and see if anybody's got any objection to that. Yeah, I think that's what it was. January 19th 2626. Yeah. That's right. 26th. And and that way then and what we'll do is then we'll get the full audit and finance and we'll do it after the work session. If we will ask them to be present and available for the audit and finance committee at the next audit and finance committee meeting, so that if we have questions or follow up and that kind of thing, we'll be that'll be available. Does that sound like a plan? Good, good. All right. You did a good job, Jason. Thank you. That's well done. Alright, with that being said, I'll entertain a motion to approve the proposed audit finance committee work plan for calendar year 2027. Motion made by councilmember duchen. Second by council member. Alter. There being no discussion. Without objection, item number two is adopted with the mayor pro tem and council member Laine temporarily unavailable.

[9:34:26 AM]

That'll take us to item number three, which we start when we start our briefings. And the first briefing is an update on the city's treasury, which includes a number of items. And we'll ask our treasurer to come forward and start talking to us.

[9:34:43 AM]

>> Good morning, mayor Ed Benigno, chief financial officer for the city. I just want to do some introductions of our team here from our treasury function before we turn it over to them for their for

their briefing. Starting on my left, your right is our deputy chief financial or. I'm sorry, just give her a promotion. Our. Deputy treasurer. Deputy Fleming. Sorry, treasurer Belinda weaver. And then to my right. Your left is from public financial management, our financial advisory firm, Blake Edwards. So I'm going to turn it over to the team for their presentation.

[9:35:22 AM]

>> Good morning, mayor and committee members. We are here today to provide an update on the city's treasury programs, specifically the investment management and debt management programs. We're going to start off our discussion with a general overview of the city's investments. We'll will receive a market update, and then we'll transition over to our debt management update as well. So I'll hand it over to Debbie to get us kicked off.

[9:35:53 AM]

>> Thank you, Belinda, and good morning, mayor and council committee members. I appreciate this opportunity to outline the city's investment program, discuss the current operating portfolio, which we refer to as the pool and the economic outlook for fiscal year 27. So let's begin with the foundation of our investment program is a Texas public funds investment act. 2256. Our pfia, which governs how Texas state and local governments invest in public funds. The city's investment committee meets quarterly to review the city investment performance policies and procedures, and city council reviews, and adopts our investment policy annually, even if we do not have any changes as required by pfia. And then we get to how do we invest in our investment policy? We analyze current market conditions and utilize cash flow projections, historical cash flows, and adjust for new bond issuances and projected expenditures. On the next slide, we are going to emphasize the pfia, which dictates authorized investments, reporting standards, and investment officer training requirements.

[9:37:09 AM]

The act is our legal framework for safe, compliant and transparent investment of city funds. Next. I also want to emphasize the city's investment priorities are always safety liquidity than yield in that order. These priorities are directly listed in our investment policy and guide portfolio management decisions at all times. Here's a snapshot of our combined city portfolios as of the end of the fiscal year, which were $5.9 billion. The largest portfolio is the pool at 4.7 billion. Debt service and reserve portfolios hold 509 million in special purpose funds were almost 700 million at the end of the fiscal year. The pool has a large concentration in treasury notes and bills, which are backed by the full faith and credit of the U.S. And we. Ladder investment purchases to have between 100 million and 150 million mature each month.

[9:38:12 AM]

Investment income for the pool is listed here. For the past four fiscal years in. The portfolio has earned over 616 million during that time frame. As we move towards the economic update, we want to look back at the volatile recent history of the federal funds rate, which is a key tool of U.S. Monetary policy and directly impacts the city's investment earnings. The federal funds rate is set by the federal open market committee, or fomc, which has a dual mandate to pursue maximum employment and price stability. The fed's target rate of price stability is 2%. The history on this page illustrates the volatility in the past few years. The pandemic necessitated easy monetary policy, and the fed dropped the federal funds rate to 0.25% for significant time as the pandemic forced the fomc and government to provide financial backstops and fiscal stimulus in this very uncertain time.

[9:39:13 AM]

But ultimately, the U.S. Was successful in preventing a financial collapse. However, inflation did not prove to be transitory, and the fomc had to hike the federal funds rate up to 5.5% in an effort to combat inflation in 23 and 24. Later in 2024, the fed began to lower the federal funds rate, making insurance cuts as inflation appeared to stabilize. But we are back on an inflationary track starting in September 2025, we've shifted to a restrictive monetary policy, raising interest rates at the September 16th meeting, and we expect additional rate hikes in 2027. Another way to view how inflation pressure changed the markets in the past year is to highlight the seismic shift in the U.S. Treasury yield curve. In October 2025, the green line, the market was predicting several federal fund rate cuts as the direction of inflation and perceived strength in the U.S. Economy was heading lower. In October 2026, the red line indicates the large shift to higher rates in the 1 to 3 year time horizon, where the city actively invests funds. Also note the rise in the 30 year treasury note, which has caused mortgage rates to increase from six, 17 and 25 to 7 24 in 1 year. Reasons for the significant shift in higher rates in the U.S. Treasury curve over the past fiscal year is due to layers of inflation risk and uncertainty due to tariffs, the Iran conflict, and strong economic growth driven by the ai build out for tariffs.

[9:41:03 AM]

The international emergency economic powers act was overturned by the supreme court, but other special tariffs and unique deals were put in place with our trading partners. The pass through cost to the U.S. Consumer is real, but this has been delayed and uneven. Higher import costs filter through the U.S. Supply chain and affect domestic products. Up to a year later. And the dark blue on this graphic illustrates the 0.25 to half percent increase in core inflation just due to tariffs. The Iran conflict began in February 2026. The strait of hormuz was the passage for 27% of global maritime trade flow, so oil,

liquefied natural, natural gas, helium, fertilizer and other commodities were stuck. So the prices of these commodities and global shipping costs and insurance have spiked sharply.

[9:42:03 AM]

Delays in the higher cost of fertilizer have caused lower food production. Gas and diesel prices have been elevated, and the uncertainty in supply shock inflation will continue to linger for months to come. The U.S. Economy. However, the past year was strong. Despite the tariffs and the Iran conflict challenges. Gross domestic product grew 3.4% in the third quarter, with the ai build out for land, computers. Industrial equipment were the primary reason for this strong growth. Unemployment is in a low, high or low fire mode as job seekers are taking longer to find positions and most new jobs created are in the health care sector. The October jobs report was stronger than the market expected, and the two prior months were upwardly revised. And it's an interesting note that the unemployment rate has been below 5% since September 2021, and is currently at 4.1%.

[9:43:06 AM]

Artificial intelligence. This graphic is an illustration of the interconnectivity of these firms. This interdependence could be problematic in the future, but as discussed in the solid gdp growth, ai has doubled capital expenditure spending in 2026 and is a huge driver of our economy right now.

[9:43:27 AM]

>> Looks like it was drawn up by ai.

[9:43:30 AM]

>> Yes, it's very convoluted. In addition to funds raised in the stock market, ai companies are also raising money from enormous bond issuances. The supply and the high U.S. Deficit both put upward pressure on longer dated U.S. Treasury notes. Potential rogue ai agent incidents or future regulations could potentially slow growth in this sector going forward. Currently, we have an October. The cpi increase increases were broad based and persistently higher than the fomc's target goal of 2% for inflation. The year over year increase is interpolated to be up 4.2%. There was no October 2025 report because the government was shut down. Fomc voting members are emphasizing that inflation is too high for too long, and for our consumer sentiment, higher energy and fuel prices, elevated interest rates and cost of

living concerns are weighing heavily on consumer sentiment while consumers continue to buy, there is a growing malaise.

[9:44:40 AM]

We're shifting spending habits, reducing entertainment to pay for higher gas or energy, and shifting to value items at the grocery store. So consumers are still spending but making trade offs within their paycheck. And just to sum it all up, what does this mean for our investment policy going forward? We are expecting that the fomc will increase the federal funds rate an additional 2 to 3 times within the next fiscal year, and we are prepared for that. The pool has a weighted average maturity of 366 days, almost a year short of our maximum weighted average maturity of 720 days. So we'll be able to reinvest maturities each month and roll into longer into higher yields. We will also continue to purchase securities to fund large payment obligations and actively manage the portfolio position for safety and liquidity. And that is all mine. I'll turn it over to Blake.

[9:45:47 AM]

>> Okay.

[9:45:48 AM]

>> Good morning, mayor and council members. My name is Blake Roberts. I'm a managing director with pfm financial advisors. We're a municipal advisor to the city of Austin. So what that means is we act in your best interest when you enter into the debt capital markets to issue bonds, to fund major capital programs. We're not a bank. We're an advisory firm. And so we're a fiduciary to the city in our role. I'll be brief in talking about the city's debt program. To some extent, Belinda weaver will will address a large bulk of this presentation as well. Municipal bonds just to start, municipal bonds are a way that the city of Austin borrows money in what's called the municipal capital markets. So the city does not typically go to a bank to take out a loan. You have very large debt programs and bond initiatives, and that requires that we go out and issue bonds and receive money from multiple investors. Some of you may have bond funds in your 401 ks or iras, and there are multitudes of investors that actively buy municipal debt. And Austin is a very active borrower in the capital markets. So it is a loan. An investor provides a city with money. The city agrees to pay back that money over time at an interest rate.

[9:47:00 AM]

That's determined as we price those bonds. Typically, the city issues bonds between seven years for short term assets all the way up to 30 years for wastewater treatment plants, energy, Austin energy investments, and so forth. So the authority to issue debt is governed by a variety of laws and regulations. It starts at the top with federal tax law, and it works its way down to the Texas constitution, state law and the city charter that all have a say in how the city of Austin can issue debt and for what purposes, and how they can pay back that debt, ultimately for certain types of debt, specifically, specifically general obligation bonds, voters have a say in what propositions are approved or not approved. Not all debt requires a city vote. So bonds issued by Austin water, for example, Austin energy that are backed by a pledge of revenue versus property taxes, those are non-voting debt, but all debt issued by the city requires approval by the city council. So there is oversight at the annual budget process, as well as the time of the approval for the issuance of bonds, where city council decides, are you issuing debt and in what amount are you not?

[9:48:20 AM]

The bond sale process? So the way that we go about issuing bonds is typically a 4 to 5 month process, depending on the size of the capital program. We work as an advisor closely with city treasury and with each of the respective enterprise departments and Ed as well on what's going to be borrowed. That's a determination made, again, as part of the budget process, when it's decided that there's a need to borrow for capital programs, we will help evaluate what can be afforded by either rates or taxes, the size of the borrowing, the length of the repayment term. We will work closely with treasury, which has a very important responsibility in drafting what's called the preliminary official statement, which is a securities offering document governed by federal securities law Austin is putting out into the marketplace a very large document that says, this is what we want to borrow for, and this is how we'll pay it back. There's a credit rating process that is essentially the city getting a credit score on its bonds. And we'll talk about that in just a second. And that's procured by 3 or 4 of the major rating agencies Fitch, S&P, moody's and Kroll. The better the credit rating, the lower the interest costs.

[9:49:35 AM]

Conversely, the lower the credit rating, the higher the interest cost. And then we go out and we market and we price the bonds. Actually, we have a bond sale tomorrow for an Austin energy bond transaction approved by the city. And Debbie did a great job of describing the market. There's two sides to the interest rate coin. On the investment side, interest rates are higher, meaning you earn more on the cash sitting in your bank account, the city's checking account, as well as on the bond proceeds that have been issued. Conversely, interest rates from a debt standpoint mean there is more interest. Cost is paid back over time, and then once we price the bonds, we'll establish the rate with the investment bank that that the city has hired to do that. And then we'll close on those bonds after about three and a half weeks. And the city receives the money during that period. There's an important oversight process from the Texas attorney general that provides an opinion that all bonds are valid and binding obligations of the

city, and that occurs for every issuer in Texas. So the city issues various forms of debt. I'll start at the top with the most commonly known, which is general obligation debt. These are the forms of bonds that are paid back by ad valorem taxes. And they take three forms. There's voter approved public improvement bonds. There are non voter approved certificates of obligation that are issued for real property and are off cycle or real critical capital needs.

[9:51:05 AM]

And then there are short term contractual obligations called pefkos that are issued over a seven year repayment term and really fund short term assets for vehicles, equipment, etc. There are also very large revenue bonds issued by the enterprise systems of the city. So Austin energy, Austin airport, Austin water, Austin electric and Austin convention center. And those are bonds that are paid back by the various revenues or user rates collected by those systems. They're not ad valorem taxes that are that are securing those bonds, but they're secured by the revenues of the individual enterprise systems. Those are typically paid back over a 30 year period, because those assets for Austin energy and Austin water are big, large capital investments that have very long, useful lives on them. And the idea is that we match to the extent possible and practical, the repayment of the debt to the useful life of the asset. We never want to exceed that useful life. We don't want to issue 30 year bonds for seven year vehicles, for example. So we try to match the asset life to the bond repayment period. And then as part of the debt management process by the city, the city does use short term bonds called commercial paper notes for Austin water, Austin energy and Austin airport. These are short term forms of borrowing that provide those enterprise systems with the ability to borrow as needed and for just in time projects. The idea is that these programs allow a lower interest rate, because short term rates are generally lower than long term rates, and to provide those systems with a way to borrow when they need to and not have to wait for a bond issuance. And then we come back and we'll issue bonds to fix out those short term notes and again, match the life of the assets being financed. This is a really good slide. I think the city should be very proud of. Austin has very strong credit ratings starting at the top. You are unique in that you are the largest among the largest cities in Texas with with the only triple a, triple a, triple a rating. San Antonio doesn't have that, nor does Fort Worth, Dallas or Houston.

[9:53:13 AM]

That's a tremendous accomplishment. It reflects a lot of things. It reflects, one, a tremendous economy. It also reflects the tremendous financial policies, procedures and processes you all have established over time that that provide transparency and visibility into the budget process and to the capital planning process, things like reserve policies, those are really important. And then things around the budget work that you all do to maintain that balance. And then it's a really active debt management program. One of the key credit metrics is debt and leverage, which is debt plus your pension obligations and your opeb obligations. A lot of work has been done over the last multiple decades to address the pension liabilities of the city that directly resulted in a in a moody's and Fitch upgrade back to triple a in the last two years,

because you weren't always triple a, triple a, triple a, you lost that rating for a few years. So I will say kudos to starting at the top city council mayor down to to staff on on the decisions made to preserve that triple a rating because that allows your gio bonds to borrow at the lowest interest rate possible considering the markets. Austin water and Austin energy are in the double-a category, those are still very strong ratings double a, one to down to double a minus. What that reflects is the difference in viewpoint of a valorem tax bond versus a revenue bond. There is a a a a. Typically we see lower ratings for revenue bonds. That being said, those enterprise systems both have very strong debt service coverage or the ratio of revenues available to pay back that debt, as well as days cash on hand. They also have very large capital programs. So that's something that we monitor very closely. The airport has a mixed rating at a one, a plus and a minus. It's a lower rung than double a, but again very consistent for airports generally because airports have a very unique operating environment that's different from that of a general city. And then convention center, which is new this year. We brought to market with very strong double a, 2aa and double a ratings. Those bonds are backed by hotel occupancy taxes. We do have a junior lien on those as well that are a bit lower. But this is a snapshot of the city's major credits and the very strong bond ratings that you have that allow you to borrow at the lowest rates possible.

[9:55:41 AM]

And I will give it over to Belinda.

[9:55:44 AM]

>> Great. Thank you so much, Blake Austin. We are an active bond issuer in the municipal markets. We're generally in the market several times a year. And one reason for that is that we issue bonds across every major credit. That includes general obligation water, electric airport and convention center. As Blake just detailed, Austin financial services, we do manage the city's comprehensive debt program, and that includes issuing bonds to fund capital needs across general government and all of the enterprise systems. In addition to that, we do post issuance and compliance activities associated with those bonds. So today we're focused on bond sales. But the overall debt management of the city encompasses a lot more. Bond sales are definitely the most public and what city council is most familiar with. But after those bond sales close, there is a lot of work that comes after the fact. And some examples of that include paying debt service on those bonds. So those investors that have invested in with the city, we are paying them the principal and interest back. We are required for compliance with securities and exchange commission requirements, and they are the oversight for municipal bonds at the federal level. So they have annual reporting, they have disclosures required, and we are responsible for that. We're also in charge of irs requirements for our tax exempt bonds that center around arbitrage. Those are just to name a few. I could go on for days and that is for the life of the bonds. So just some insight into the comprehensive debt management for the city.

[9:57:22 AM]

Back to our bond sales. Looking at fiscal year 26, we had a very busy year. We issued almost 4 billion in bonds across 17 different series. That's a large number. Austin right now is experiencing a truly transformational moment where the city is has committed to funding capital, infrastructure investments that will benefit the city and the community for years to come. And two of these large capital investments are expansion programs that I know the committee is very familiar with, along with council, and those are for airport and our convention center. And both of those expansion projects had their first financings in fiscal year 26, and they actually encompass almost half of the total amount issued. So 1.8 billion of the 3.88 billion was for the airport and convention center expansion. Also reflected in this number is a number of refunding that took place for previously issued bonds that were currently callable for savings.

[9:58:27 AM]

That's approximately 600 million of the total. I'm not going to get into each one of these numbers, but you can see that airport had the largest issuance total for the year. Of that, almost 1.4 billion, 1.15 billion was associated with the airport expansion. We had our annual gio bond sale just shy of 800 million. There was a refunding component in for savings convention center had approximately 650 million for their expansion pro project. Included in the totals here, and water had just north of 600 million. That was a few bond issuances, three of which were direct private placements with our. With the Texas water development board, and both water and electric had free fundings as well. So the city's debt position at the end of the fiscal year. This reflects the bond issuances that we just went over. These are the principal outstanding as of September 30th, 2026. Just for a reference point for all of our major credits and projected financings for 27, it will be another busy year, not quite as busy as last year, but still busy. We will have our annual gio bond sale and that a mix of public improvement bonds, certificates and contractual convention center will have their second and final sale of their new money expansion bonds. That's expected to be around 600 million coming late spring early summer airport has a current refunding for savings.

[10:00:09 AM]

We will be bringing that forward to council on the December 3rd agenda for authorization. There may be a new money issuance in fiscal year 27, but that's still tbd. It may be pushed into 28 Austin energy. As Blake mentioned, we brought forth parameters for authorization to council on November 5th for a new money and refunding and pricing is planned for tomorrow with closing in mid December. Austin water has a number of deals in the pipeline. The wifi alone that was authorized by council in may of this year, will be closing in mid December, and they have a couple of twd loans to fund specific Austin water capital projects, along with refunding for savings later on this spring, and then a small public

improvement district bond that we're currently working on. And with that, that concludes our presentation.

[10:01:08 AM]

We're happy to address any.

[10:01:10 AM]

>> If I could maybe just close this out really quick. Mayor, I know this is probably new for the committee members and maybe some fairly terse material, dense material, but we thought it was really important for you to get introduced to this small and highly specialized team in our treasury group. As you see, they're managing billions of dollars of debt for the city. You see a lot of refunding items, and those generally just get approved by council. We're doing refunding. There is so much work that goes into doing one of those refunding that ends up saving our taxpayers millions of dollars.

[10:01:44 AM]

>> By doing that though, because what happens on those end up on the agenda. And we know, but I want you to describe it for the public. When that happens, it shows up on the agenda as a multi million dollar refund. And some people are confused about that and attack it, right. And say, you know, why are you doing this? They shouldn't be doing this, that sort of thing. Describe the purpose of of refunding so that they'll be better understanding of that.

[10:02:15 AM]

>> It's for savings. And so our financial.

[10:02:18 AM]

>> Word again.

[10:02:19 AM]

>> Savings we're saving money by by doing this. So these are the bonds for any variety of reasons general obligation bonds or certificates of obligation or revenue bonds, any of those various forms of debt that Blake spoke to. If there's an opportunity in the market, if the market shifts in our favor, where we could refund the bonds and save money, we obviously are going to do that. And our policy is that if we can get 4.25% of savings or better, then we bring that recommendation forward to council. You will see on your December 3rd agenda, not not tomorrow, but on December 3rd. We're going to have two refunding of close to $300 million for our airport bonds. And so, yeah, it's really important to understand this isn't new money. This is refunding of existing bonds in order to save our taxpayers money.

[10:03:03 AM]

>> Be kind of like if I had a loan on my house or my car and I could get a better interest rate so I could save money, I might refund it.

[10:03:13 AM]

>> It's exactly perfect analogy. And the credit ratings are similar. If you have a, I don't know, an 800 score on your credit rating, you're going to get a different interest rate than somebody who has a 500 credit score. The work that goes into the relationships with the rating agencies and telling our story as a city is extensive. As has been mentioned, we have triple a for our general obligation bonds, double a for our utilities. And you know, that saves us a lot of money. That's the difference. That could be tens of millions of dollars over the lifetime of some of these bond issuances that we're saving on interest payments. In the case of a convention center, the ratings we're able to achieve of double a minus versus had we been single. A might be the difference between whether or not the project pencils out and works financially or not. So the ratings are extremely important. And this is the group before you that manages those ratings with our with our credit agencies.

[10:04:09 AM]

>> Thank you. I appreciate you letting me interrupt questions. Council members. Yes. Councilmember. Alter.

[10:04:16 AM]

>> Miss weaver, can you talk about you touched on it a little bit. The issuances versus the retirements, kind of what that balance looks like right now. And as we have just, you know, voters have approved new bonds. Obviously, we're not going to issue $300 million next year. It's going to be over a course of a six year cycle. But just what that balance looks like in terms of new issuances versus what's rolling off.

[10:04:45 AM]

>> Well, we.

[10:04:46 AM]

>> That's exactly right. So for the new bond bond authorizations, those will take place over a number of years. And we do retire debt annually. Our general policy is that we do like to structure our debt with level debt service. So we do have maturities rolling off every year. Now, the exact amount of debt rolling off every year, of course, adjusts year over year and changes between credits. But that is something that does occur for all of our outstanding debt. Yes. So as we're issuing, there is debt that is maturing as well every year.

[10:05:25 AM]

>> And I know I've seen school districts particularly hold their debt rate at a certain number, you know, $0.10, $0.12, whatever it is, whether they are rolling off debt or not. And then they'll do new bond issuances. And basically, you know, if they're charging this, but servicing this, then they'll say, you know, we can add another billion dollars, but not change the tax rate. They don't float it like we do. Is that something we have the authority to do that just like they do? Or are we under a different set of rules in terms of setting our debt rate?

[10:06:04 AM]

>> We're not under a different set of rules. We could take that approach. The approach that we've been taking recently has been more around to we want to get the best interest rates possible. And so that is constrained by how much debt you have outstanding, the credit ratings that you're able to achieve as a city or as any municipal organization. One of the primary factors is how much debt do we have outstanding? How much are we servicing versus what is our income stream as a as a city, you know,

we're triple a rated. You can't get any better than that. And so when we bring proposals forward to council, you know, if we're looking at a 2026 bond or 2028 bond, we're looking at it with an eye towards trying to manage those debt metrics so that we have a confidence level that the rating agencies won't look at, look at us and say, oh, you're getting overleveraged. We need to bring them down to a double, a plus, and now we're paying a higher interest. So our kind of our capacity calculation is more so around how much capacity do we have, where we can comfortably stay within the metrics that allow us to remain triple a rated more so than trying to hit a certain rate? Rohan.

[10:07:10 AM]

>> And I think, you know, specifically for our our gio bonds, we are handling those issuances on a reimbursement basis. So we are looking at the the expenditures over the years and, and reimbursing ourselves at the end of the year for those expenses that did incur. So it's a little bit of a different methodology.

[10:07:31 AM]

>> You know, we are projecting in terms of that graphic you're showing in terms of, you know, new debt coming on, old debt being paid off. The net of those two things is a growing debt service load over the next 3 or 4 years. I think we're projecting we'll hit a peak around 20, 30 or 31. And then depending upon, you know, decisions about future bond elections, we would see that leveling off or perhaps even coming down in the future. But for the next 3 or 4 years, regardless of any future bond elections, as we continue to push out projects that have been approved through previous bond elections, the the new debt is going to outpace the debt that's being paid off for the next 3 or 4 years. But again, we're keeping a close eye on that and believe that we're going to be able to maintain manage that in a way where we will continue to be triple a rated.

[10:08:20 AM]

>> Yeah. My last question, and I don't know if this is for Mr. Roberts or for you. Ed is the. And it's not a perfect question or a perfect answer, but what should we be more concerned about? Or what is really the more valuable statistic or number? Is it debt to assessed value or debt per capita? Because I know those are both used and they both have meaning from a financial perspective. But what should we be more concerned about as we think about the debt of the city going.

[10:08:56 AM]

>> And all that? I'll let Blake elaborate because he's far more knowledgeable in this area. But I will say those metrics have changed from debt to a V debt per capita. Different rating agencies look at different things. They have committees that they report to, and the committees change the methodologies over time. So again, for that reason, the financial policy that we've proposed to city council is how much more, you know, what's our debt capacity such that we believe under the current metrics, we can maintain a triple a rating? I would say right now, probably from a financial standpoint, the single most important criteria is our debt service to income ratio. So income being just how much revenue or a billion and a half dollar general fund revenue, how does that compare to our debt service? What is that ratio? And other rating agencies have slightly different metrics, but Blake could talk for too long on this topic, but I'll let him elaborate to the extent he can do so.

[10:09:51 AM]

>> We'll keep you from talking too long.

[10:09:53 AM]

>> I'll be very brief. Both are really easy metrics to track debt to. Assessed value is no longer viewed by the rating agencies as a key way to measure debt. I think it's still very valuable for the public and city council to monitor debt to or debt per capita is now a primary focus of S and P. All of them look at a debt expenses kind of principal and interest out the door compared to your budget, and then debt outstanding compared to your budget. But to answer your question of those two, it's debt per capita that directly ties to an S and P criteria point. Debt to assessed value is no longer viewed by the rating agencies as that important, but still important and easy and transparent to monitor for the public and decision makers.

[10:10:40 AM]

>> Thank you. And I'll highlight that before we go too quickly, go to the next item. But but those as we look at that, the way, one of the ways to tell whether or not we're being judged as being, say, an overly ambitious city investing too much, not being able to meet the needs of the citizens, not being able to meet your obligations when you issue that kind of debt, those kinds of things. The best determiner of that for us right now are the rating agencies. Is there a better determiner than that about how we're doing in those regards?

[10:11:20 AM]

>> I don't think there's a better determinant than that.

[10:11:23 AM]

>> So when when people ask us or people come and talk to us about different items that we might be doing and moving forward, and we're, we're, we're, we are appropriately, I think, and aggressively building an airport for, for today and for the future. We're aggressively doing a variety of things that need to be done in order to be an ambitious, successful city. But the number one determiner of whether or not somebody's grading our papers, the best way for us to look and to explain to the public and for the public to feel like they're getting value for their dollar, is these rating agencies. And is what you're telling me and those we're the only city in Texas that has triple a on general obligation across the board.

[10:12:12 AM]

>> Certainly for any of the large cities. I mean, there's like thousands of cities in Texas. So I don't know about any of the smaller cities, but certainly amongst the big Texas cities that we view as our peers, we're the only one who's triple a with all three.

[10:12:25 AM]

>> Thank you. Thank you all very much. Appreciate that. Good report. Item number four is an update on the social services strategy and. I'll invite those that are going to present to come forward. Oh yeah. While you're coming forward, council member, the mayor pro tem was temporarily off the dais when we voted on items one and two. He would like to be shown voting is in favor of items one and two, and it will not change the outcome of the vote. I move that he be shown voting in favor of items one and two at second by councilmember Fuentes. Is there any objection? Hearing none. Councilmember vela will be shown voting be shown as voting in favor of items number one and two. Thank you, mayor pro tem. Okay, who kicks us off?

[10:13:23 AM]

>> That would be me.

[10:13:25 AM]

>> You might want to pull that microphone a little closer to your mouth.

[10:13:28 AM]

>> All right. There we go.

[10:13:30 AM]

>> That's good.

[10:13:31 AM]

>> Thank you, mayor, mayor pro tem and members of the committee. I'm Daniel colada, assistant director of Austin budget and organizational excellence. And today we're here to provide an update on the social services reset with more detail on community engagement agreement structures and solicitations. I'm joined by assistant city manager Stephanie hayden-howard and Austin financial services chief procurement officer James Scarborough. And together, we'll cover these topics. We will cover five areas background, stakeholder engagement, agreement, structure, solicitation and timeline, and next steps. And I'll start with background. The social services reset is based on direction from four council resolutions. Resolution 56 calls for a rubric to evaluate social services, funding decisions and evaluation of funding sources, and engagement with the community and with vendors. Resolution 22 calls for an evaluation of social services agreements going into fiscal year 27 to assess whether any changes or reductions were needed.

[10:14:33 AM]

Resolution 14 calls for an evaluation and reset of the issue areas, partnerships, agreements, structures, funding and reporting to be implemented beginning in fiscal year 28 and resolution 46. Calls for the contract level. Calls for contract level, geographic analysis of service outcomes, and participants to the greatest extent feasible. These resolutions build on each other, and the rubric lets us evaluate the need and priorities. The agreement evaluation showed us where our current agreements stand. The reset

combines the two with additional work on partnerships, resources, and strategies so we can adjust towards our best investments for the community in the coming year and beyond. And the geographic analysis adds a view of where services are delivered and who they reach. Resolution 56 asks for a rubric so that service prioritization and funding decisions are made against a common set of criteria. Rubric has five dimensions that describe and help prioritize the issue areas.

[10:15:35 AM]

Community need carries the most weight. It looks at how common and how severe a need is and where the equity gaps are. Using sources such as the community health assessment, the American community survey, and homelessness data need trajectory and city strategic role. Ask whether a need is growing and how a service fits the city's strategic priorities and its role as a funder or provider. Investment efficiency looks at service and provider track records and outside funding, they add, and city council and community direction reflects how council boards and commissions, community feedback and other city directions have prioritized the issue areas. The social services strategic reset is organized through working groups led by the city manager's office and departments that fund social services. There are four working groups. One covers the issue areas, including the level of need, the city's role and the services portfolio. A second group covers contract and grant structure, performance measures and reporting. The third group is stakeholder engagement and the fourth is governance and partnerships. Each has a lead and a co-lead at the director or assistant director level, along with program staff and relevant stakeholders. The working groups will finish their work by the end of December 2026, and the results will inform leadership direction on the services, portfolio, funding levels, partnerships and the agreement modifications and solicitations that come ahead of fiscal year 28. That helps ensure that the recommendations are based on evidence, current need, partnerships and best practices, and today's presentation is going to go deeper on the work of the stakeholder engagement group and the contract and grant structure group, including solicitations. I'll now turn it over to assistant city manager Stephanie hayden-howard.

[10:17:26 AM]

>> Thank you Daniel. Good morning. As we look at our stakeholder engagement process, one of the areas that we receive policy direction from resolution 56 asks us to conduct regular community engagement and public feedback. The Austin community engagement have assisted us to or assisting us with our work so we can ensure that we are prioritizing the information that we receive from vendors. We are using some existing feedback in this process. During the budget process, there was some information that we received from key stakeholders, and so we are going to use that so we don't duplicate our efforts. We always want to make sure that staff have a voice. So we have received information from our staff earlier this year, and we're going to use that feedback in several ways. We are excited to say that we have two survey opportunities. The first one is for existing and potential vendors. Current and former city funded social service providers, and they're going to look at various

topics from performance expectations to barriers. Our the second one is going to be a community needs and service priorities, and that is for community members. That survey is now active. It launched on November 13th, and it is going to remain open until December 13th. Both of the surveys are in eight languages, and we are doing citywide outreach. We want to thank you in advance because our teams are going to be working with your offices to add it to your resource pages for each of your offices, and we're hoping that we'll be able to get that done by next week.

[10:19:36 AM]

And then we also have fliers that we can provide as well. We are going to distribute them at the Austin public library branches and the recreation centers. All of our departments as far as Austin community court, Austin public health, Austin economic development and Austin homeless strategy offices, strategies and operations have shared their surveys through their community stakeholder networks, and we are coordinating outreach to our immigrant affairs program manager. We have already reached out to one voice, and they have sent it out to their memberships on yesterday. And equity action has been contacted to assist us. We are working with boards and commissions. We have sent the information to the liaisons for the boards and commissions representing diverse communities, and we are going to speak up. Austin newsletter feature is planned. All of this feedback is going to be used in our recommendations that we're going to share in January. At this time, I will turn it over to James.

[10:21:00 AM]

>> Thank you. Acme hayden-howard. Good morning, mayor, council member, James Scarborough, Austin financial services. We use the term social service agreements when referring to city agreements where the recipient of the services are residents and other eligible recipients, and not the city itself. The city uses two types of agreements for social services, including contracts and city issued grants, or what we'll refer to as city grants. Contracts are for services the city must provide. The contractor is providing work the city is legally responsible for, usually by municipal code or ordinance. Due to the city's obligation to provide these services when the contractor performs the work. Even though the services are being provided to other recipients. Because the work directly benefits the city, the agreement constitutes a contract. Example of social service contracts include operating a city owned facility or asset, such as city owned shelter, providing legally mandated services such as court interpretation and providing essential services as defined by city human resource policies such as storm debris collection.

[10:22:13 AM]

City issued grants or city grants, on the other hand, are for services the city chooses to provide. Usually associated with Cindy city funding objectives and priorities. Examples of city grants include distributing

food to individuals who are food insecure and providing outreach to individuals experiencing homelessness. Both agreement types include accountability and reporting structures that ensure transparency, performance, value, and services for the residents.

[10:22:50 AM]

>> They are okay, okay.

[10:22:55 AM]

>> Most of our current social service agreements are cost reimbursable, meaning contractors or recipients are reimbursed for allowable costs they incur while providing the services. While these agreements do not do require performance, the reimbursement form of these agreements does not compensate contractors or recipients based on established prices per units of service. As a part of the reset, we are looking at options for building more performance objectives into these agreements. One option is performance incentives, which are additional payments for exceeding targets on predetermined metrics. An example would be Austin public health and the homelessness strategy and operations office, where they piloted this approach in 2022. With the rapid rehousing programs. In that pilot, they issued 386,000 an additional awarded fees in bonus payments to six vendors.

[10:23:58 AM]

A second option is performance based renewal, or extensions, where the renewing and agreement depends on the vendor meeting specified performance targets. This means confirming a vendor is meeting the target before committing additional funding, with a corrective action period in advance of notice built into the agreement. A third option would be a deliverables based agreement, which would be established with fixed prices per units of service, where the city pays per item delivered. For example, if the agreement was for operating a food bank during an agreed upon hours instead of reimbursing the recipient for the cost to provide the services, the recipient would be paid for each meal provided based on an established fee per meal. Each agreement approach has its benefits and trade offs. Incentives work best for similar types of services, where the same or similar metrics are tracked across programs as they were in the rapid rehousing example, they may be possible for a subset of services, but not for the entire portfolio. Without more time. They also require additional funding and may have unintended consequences, such as favoring clients who are easier to serve. Now for solicitations, a solicitation is a competitive process the city uses to select providers.

[10:25:22 AM]

There are three general types to be aware of with respect to social service agreements. First is requests for applications or rfa. This method is used to acquire social services from a nonprofit to address community needs, and it results in the award of a grant agreement. Another is a request for grant applications or an rfp. This is a similar solicitation process resulting in grant award. But unlike the rfa, this is an informal process with less complexity and formality and is used for lower valued grant awards. Finally, the request for proposal or rfp is the most formal solicitation method. The rfp is used to acquire goods and services when it clearly defines. Scope of work is not available, and the award is based on criteria that determine best value and as stated in the solicitation. In general, city grants for social services are competed using rfas and rfas, while city contracts are solicited through rfp and using the city's standard purchasing processes.

[10:26:31 AM]

Here's how solicitations work a team is created to design the solicitation and the target agreements, and then goes on to submit the solicitation package for all the necessary approvals. Solicitations are developed using community priorities, local data needs strategic goals and are announced for a set period to allow for broad participation from prospective residents. Excuse me prospective respondents after solicitation closes, staff open and check the responses received to ensure that they are complete and responsive to solicitations requirements. Evaluators then score the responses against the criteria published in solicitation. Based on the results of the competition and the available funding. Staff make recommendations for agreement, awards and funding amounts to the highest rated respondents. Recommendations are published publicly and all applicants are notified. Agreements above the city manager's authority go to council for approval.

[10:27:32 AM]

Applicants who are not recommended can request debriefings to better understand how their response was evaluated and how the award decision was made. There's also a formal protest process available. The city has used these three approaches to purchasing social services historically. The first is a whole portfolio solicitation, which seeks proposals for many or all of the services at one time. The city last did this in 2014, covering the entire life, continuing tied to self-sufficiency goals. About $30 million was requested. 65 applications were submitted, 27 were recommended for funding, resulting in 13.8 million in awards. The advantage of this approach is that there's a single solicitation, and then you're done until the next large solicitation is done. The challenge is that this approach is resource intensive. It was in effect for issue area solicitations all at once, with comparable scopes of work to Wright 39 evaluators to find.

[10:28:38 AM]

And it was also an only the only opportunity for nonprofits to apply and compete for city funding opportunities. The second approach is issue area solicitations, which seeks proposals for services or programs or interventions addressing a common issue or population need, such as child and youth or basic needs. Departments began doing this in 2022, starting with youth. This approach focused each solicitation and balances the workload for city staff, nonprofits and the evaluators, and it requires releasing solicitations on a more regular basis. The third approach is for service solicitation, which seeks proposals for discrete services. Typically, when council provides new funding, such as substance misuse services or domestic violence shelter. This approach is most commonly used for contracts with more detailed requirements.

[10:29:35 AM]

>> Thank you.

[10:29:37 AM]

>> Thank you James. I'll close out with some timelines and next steps. So as we restructure agreements, staff will bring policy questions to this committee for review. They include the share of programs and of an organization's budget that city funding makes up allowable costs, indirect administrative rates and performance structures, including renewables, deliverable based payment and pay for performance. These fall within the policy areas. We will present to this committee and to the economic opportunity committee and the public health committee, and then the full council through February of 2027. The overall timeline for the reset runs from September 2026 through October 2027. From now through January, we are defining the issue areas, services and partnership strategy, agreement structures and funding levels for each issue area and the portfolio.

[10:30:37 AM]

Beginning in January 2027, contract and grant solicitations will be developed and issued the fiscal year 28 budget proposal and adoption process will run alongside that work, with budget process engagement going from early 2027 into the summer. Vendor notifications for the new agreements will begin in July 2027 and continue until they take effect. New agreements take effect in October of 2027, which is the beginning of fiscal year 28. Engagement with the community, vendors, partners. This committee and the council continues through that whole period. For next steps. Work is ongoing to complete the issue. Area definitions, the gap and services analysis, and the determinations on partnerships, funding and

agreement structures. We will confirm structure and governance changes to the portfolio and for agreements, and keep engaging with vendors, staff. The community and leadership will also prepare for the procurement processes in early 2027. Solicitations will take place during fiscal year 27 so that every agreement is in place by the start of fiscal year 28. With that, we thank you, and we're happy to take any questions at this time.

[10:31:53 AM]

>> Thank you all. Councilmember Fuentes.

[10:31:55 AM]

>> Yes, thank you for the information. I'm curious with the, you know, knowing how much funding we have on our social services, what proportion of our services are funded through contract agreements versus grant agreements?

[10:32:12 AM]

>> Councilmember, I don't have that exact number right now. But when we look at the breakout of of all the agreements that are going forward, roughly 83% of them are going forward as grant agreements and 17 as contracts. If there is a desire through the management direction to transition some of those to contracts and that that percentage or that that distribution will, will, will, in fact change, but we can get that, that, that, that value to you.

[10:32:40 AM]

>> But I mean, but having that sense that 83% of our social services are funded via grants versus contract agreements is, is

[10:32:47 AM]

>> Helpful. How does that fare with other cities? Is that an average of how cities fund social services? Is it primarily the majority supermajority through grant agreements?

[10:32:59 AM]

>> You know, from our research, we have found that most cities just label them as contracts. They don't make a difference between calling them grants or contracts. They just call them contracts. So yeah.

[10:33:17 AM]

>> Yeah, I'm just curious. And, and has that been historically how the city has primarily funded our social services has been through grants?

[10:33:25 AM]

>> I think maybe I probably will let you answer this because we kind of started that when you came. James.

[10:33:30 AM]

>> Yeah.

[10:33:32 AM]

>> Like our, our counterparts in the other local governments throughout Texas, we characterized our social service agreements largely as contracts. That's really a consequence of not having a separate statute or regulatory structure to point at, at grant agreements. The state actually has a separate statutory source to recognize grant agreements. Local governments do not. So we as we are kind of formalizing this distinction, we're actually looking at the state's regulations and kind of modeling a foundational set of policies ourselves so that we can recognize these agreements as being structurally different. We've referred to them as social service contracts. And we've actually there was exceptions to city procurement policy, and they were treated different than, than our, our general category of contracts because they function differently. But most of them had a cost reimbursement compensation approach, which we usually do not do in, in our typical product and delivery service contracts. So because they were different, because they were solicited somewhat differently, we just, we labeled them as being a different category of contracts.

[10:34:45 AM]

We recognize, however, that they are distinct. They are distinct in how they're solicited, how they're formed and how they're administered. And we feel like if we can treat them differently, as the state does, as the federal government does, that we will be more successful in sourcing them. They will be more optimized and right size for the recipients, and they'll just function better. But when you evaluate a grant or that an agreement that functions like a grant, but you evaluate it as a contract and you apply contract expectations to it, it doesn't compare well. And so we want to start evaluating grants like grants and creating grants in the most optimal way so that when we do review them for performance, they they review well and not subpar because they don't compare well structurally to a contract.

[10:35:34 AM]

>> Well, I mean, is the thought, you know, because we're moving towards a more outcomes based approach to our social services in general. And so knowing that, you know, how does that change the approach to grants? I mean, you're saying about kind of rightsizing the approach and how we administer our grants, but knowing that we want a focus on outcomes, how does that change our approach?

[10:35:59 AM]

>> We are definitely looking at forming the grant agreements as more performance based and outcomes based. It's just that that in a contract, you're you're issuing an order in advance of the work being done. And that's not the case in a grant. They can't tell how many recipients are going to show up to receive the services and so forth. So that's why we we compensate them by reimbursing their expenses. But what we, we can definitely do is identify the meaningful performance metrics in those in the performance of that work, and then tie that performance to the continuation of the grant to the access to a, a, a, an additional fee or an amount of, of incentive pay or whether or not the the applicant will be available to participate in future grants. There will be a consequence for low or no performance and an incentive for positive and strong performance.

[10:36:58 AM]

>> Very good. Thank you.

[10:37:01 AM]

>> Thank you. I want to anybody else want to speak? Yeah. Councilmember duchen and then I'll I'll Mok after that. Go ahead.

[10:37:09 AM]

>> Thank you mayor. I've got a couple of questions. First of all, thank you for the briefing. I think this helps build on what we've learned in public health. Can you help me understand how the survey data, these two surveys that you're that I guess are out right now, are going to be used to shape the contracts and metrics.

[10:37:32 AM]

>> As we and I'm going to maybe go back to that slide so I can just put it up if the if they'll put it back up for me because I want you to be able to just kind of look at that slide and, and just kind of see the different routes we're going to take. So the first one is going to be for folks who have a contract with us or who were funded by us in the past. And because we're looking at everything from the performance to the contract process, you know, how much support they receive, any barriers with the existing process that they have right now or when they did have an agreement. And so knowing that we have a working group that is working on everything contracts basically from a to Z, they will be able to kind of fold that into those conversations that they're having now with the community needs and the service priorities that is going to help us to fold into the needs assessment document that we're working on. You know, we're we're pulling in information and constantly working on that, but at least it gives, you know, front line service providers and even, you know, individuals with lived experience to maybe spotlight something that the data that we've researched has not, you know, brought that to light. And that way we can dig into that and look into that a little more. And so that's our thought with these two strands of the surveys that we're going to do.

[10:39:15 AM]

>> Okay. Thank you. What happens when you're entering maybe a, I guess, a newer social service base, right? You don't have existing vendors. There's no way to benchmark. You're having to make up. Well, I don't want to put words in anybody's mouth here or process, but how would you approach having to build out a new space that you haven't previously invested in? Right. In terms of designing all of the needs assessment, designing all of the contracts, all of the safeguards that you might have on those contracts.

[10:39:50 AM]

>> Well, I think it just kind of depends, you know, because the issue areas are pretty comprehensive. I really don't see that there may be a new, you know, type of space that, you know, we may need to get into. However, typically, if we see that that is going to be a need, we're going to look at what kind of outcomes that we're seeing either at the national level and from a best practice perspective. And those are the ones that we would want to see in our community and look at kind of what's going on as far as the dynamics in order to determine kind of where we would want that to be. Typically with performance measures kind of over the years, you know, whether they're for contracts or whether they're for a department staff really like to gather some baseline data. And so if it ends up being something new, we will use that time to gather the baseline data. And there may be some adjustments that we may need to make along the way.

[10:40:57 AM]

>> Okay. Thank you. I mean, the one the one concern I would raise is from the prior work you guys have shared with us over the last six months. There are some very specialized providers and contracts that operate in the area. And, and I would imagine that's going to continue. And then they may expand or there may be new providers that work on very specific issues, right? Food security might have 20 different vendors working on different aspects of food security, but there might be sickle cell or whatever. I don't want to point out anybody, but bottom line is there may be some very proprietary organizations and spaces, and I would just want to make sure between the survey data or any of the tools you have, there is a way to calibrate how to start to evaluate those contracts.

[10:41:44 AM]

>> Thank you, thank you.

[10:41:47 AM]

>> Thanks. Anybody else? I just want to reiterate something that I think councilmember Fuentes did a good job of highlighting, but I want to I guess I want to highlight the highlight because I think the headline needs to be that it's not where you're not looking, say, edit me if I say this wrong, but you're not looking to have and you didn't create the grant process out of the contract process because it's hard to achieve good performance and you want them to be able to show good performance. And therefore,

we're going to do grants instead of contracts because that's easier to show performance. That's not the reason you're doing it, mayor.

[10:42:30 AM]

>> Not at all. We're we're essentially recognizing that what these agreements already are, they they they refer to themselves within the text of the agreement itself as grants. They refer to the the contractor as recipients, and they function like grants. We're just acknowledging what they are. And we're creating a procedural and a structural framework around it to, to better manage them and to better set expectations around them, but also to introduce the performance elements to them more, more clearly.

[10:42:58 AM]

>> And that's a very important part of that is, is that it's not we're not calling them grants. We're not setting them up as grants because it's easier then to show performance. It is, in fact, because we were putting a square peg in a round hole. And now what we're going to do is we're going to we're going to do it that the right way, but we are going to build into that performance measures. The grants have to perform just. Just because you get a grant doesn't mean you don't have to perform. Your compensation is going to be tied to things like reimbursement. There's going to be the identification of performance standards that will determine whether there are negative consequences, that will determine whether or not there can be continuance of of the contract, whether you get cut off of in some instances may be incentives, that sort of thing. That. Right?

[10:43:52 AM]

>> Yes, sir. That's correct.

[10:43:53 AM]

>> I think councilmember Fuentes was was smart to create that lay that out. But I just worry, based upon what I've heard other people ask me about the difference, that there's not clarity about what it is that we're trying to achieve here. So thank you for that. And, councilmember, thank you. Anything else on this item? Thank you all very, very much. That will take us to item number five briefing on the credit card audit.

[10:44:51 AM]

>> There we go. Awesome. Okay. Good morning, committee members. My name is Ashley Rodriguez. I am here this morning to present the credit cards audit. I was the lead auditor of this project. We'll start with some background on the topic. The city's pro card program is used to streamline the purchase of goods and services. Credit card responsibilities are shared between Austin financial services and city departments. In fiscal year 25, Austin had 1571 credit cards and spent $45 million on them. I want to make a note of the scope of this audit. This audit focuses on individual credit cards, which are credit cards assigned to city staff in their name. Additionally, this audit does not include Austin energy's activities. That is because Austin energy's cards were being transitioned from Austin energy to Austin financial services management. During the course of this audit. This audit had one finding. The finding is that Austin uses credit cards more than other Texas cities and does not follow best practices for managing them, increasing the risk of fraud, misuse and unnecessary spending. The table on this slide shows that Austin leads peers in the number of cards and the amount spent.

[10:46:09 AM]

Starting with the first column, we see that Austin's 1571 cards is nearly double the amount of the next closest city, Houston, at 867. We wanted to normalize these numbers. To do that, we distributed the number of cards by the number of staff each city has. When we did this, we saw that Austin still leads at one card for every nine staff members, whereas the next closest city is El Paso. At one card for every 16 staff members, we see a similar trend in the amount spent. Austin's $44.6 million is greater than fort Worth. The next closest cities $10.1 million. Again, we did normalize these numbers by distributing the amount spent by the number of cards each city has. When we did this, Austin still led at 28,400 per card compared to Fort Worth at 23,200 per card. Although this audit focused on individual credit cards, we did also ask cities to report their other card types to us. Other card types are cards such as travel cards or fuel cards. Of the cities, only Dallas reported having these other card types to us when we consider these other card types for Austin and Dallas, Austin's cards increased to 1709 and Dallas cards increased to 633. Austin does not follow all best practices to safeguard resources as they are being spent through credit cards. We are referring to three specific categories access, training and monitoring. The first category is access. What we saw here is that card activity is not reviewed to determine if cards can be revoked due to underutilization. This is best practice and something that other peers do periodically. We looked at Austin's card activity in fiscal year 25 and saw that a number of cards were not used regularly. Going through the chart here, we see that over 100 cards are used less than once a quarter. Over 400 cards are used less than once a month. A little under 700 cards are used less than every two weeks, and over 900 cards are used less than every week. The second category is training. What we saw here is that training is one time and does not provide thorough guidance that would give credit card users confidence in using their cards. The table on this slide shows that Austin, like other peers, follows best practice in providing initial training to credit card users.

[10:48:42 AM]

However, Austin is the only city of the peers that does not provide refresher training, which is also best practice. The last category is monitoring. What we saw here is that documentation is sometimes unclear and that purchases are not reviewed for cost efficiency above the purchaser level. This slide shows some examples of unclear documentation. Unclear documentation. Per Austin financial services policy means that the purchase description either did not, did not include a clear description of what was bought, or a clear description of why it was bought. In recent years, the city auditor's integrity unit has published several investigations involving inappropriate credit card use. These investigations involve city staff either falsifying documentation or exploiting other weaknesses in supervisory review. These investigations highlight the importance of following all best practices to prevent fraud and misuse. We issued four recommendations as part of this audit. Recommendations are to implement a process to revoke underutilized cards, to revise the city's trainings, to revise policies, and to implement a strategy to analyzeand other city staff for their time and cooperation throughout this audit. We're happy to take any questions you may have at this time.

[10:50:05 AM]

>> Questions? Yes, councilmember Fuentes.

[10:50:06 AM]

>> Thank you. This is questions for city management. I mean, I certainly appreciate that the city management office agrees these recommendations, and I'm wondering if we can get more information as to the implementation of these recommendations. When can we expect these to be rolled out? Sure.

[10:50:22 AM]

>> Thank you. Councilmember James Scarborough, Austin financial services we appreciate the opportunity to have this very important program reviewed by our colleagues at the at the city auditors and the audit team. You know, while there were absolutely opportunities to to further optimize the program, we were relieved that such an important program, for the most part, operates well and is providing much needed financial services to the operations of city departments. With respect to the recommendation number one, afs will implement an annual review process for all purchasing cards, established defined usage thresholds and identify underutilized accounts. Cards with little or no activity

will be evaluated for continued business need, helping to reduce the risk and ensure purchasing cards are limited to employees with legitimate operational purpose. This process will also provide flexibility for departments to retain infrequently used cards needed for emergency, seasonal and other essential business functions. We anticipate completing that in the coming fiscal year.

[10:51:28 AM]

>> Okay, and this will be led by Austin financial services.

[10:51:31 AM]

>> Yes. Yes, ma'am. Recommendation two we will update and strengthen initial purchasing card training and implement mandatory annual refresher training for cardholders, approvers, and accountant reviewers. Training enhancements will reinforce program requirements, documentation standards, approval responsibilities, fraud awareness, monitoring expectations, and procurement policies. Again, that will be completed in the coming fiscal year. Recommendation three we will clarify allowable purchases to the cardholders and documentation requirements and stakeholder responsibilities while reinforcing monitoring expectations. These efforts will continue to eliminate. We will work towards continuing to eliminate auto approver transactions and to ensure all purchasing card activities received appropriate levels of review and approval. Departments will participate in an annual assessment and an attestation process to confirm that their monitoring controls are being are functioning effectively and being complied with again to be completed in the coming fiscal year. Last recommendation afs will conduct annual analysis of purchasing card spending to identify off contract purchasing, spending trends and opportunities for future sourcing strategies. We will share these results with central procurement stakeholders and departments, and encourage greater use of contracts and more efficient purchasing practices. These efforts will help the city leverage buying powers, improve contract utilization, and identify opportunities to deliver additional value and savings for taxpayers, again, all to occur within the current the coming fiscal year.

[10:53:17 AM]

>> Thank you. I would just ask that as you all complete these reviews and update our processes, if y'all can send a memo response notifying council when these items have occurred. Glad to thank you.

[10:53:29 AM]

>> Thanks, councilmember. Councilmember.

[10:53:31 AM]

>> Thank you. Mayor. I had two questions. Having read through this and thought about this since our briefing. One is, I understand when we're talking about monitoring, we're talking about trying to address that with, you know, better documentation, more training, annual reviews. But in terms of supervision within afs or within departments that are where these cards are issued, what is that process? Is there somebody that's. Is there somebody that's reviewing this more than annually to understand whether the documentation is being filled appropriately? Can some of this be automated? Help me understand what systems are in place other than the ones that are described in the recommendations?

[10:54:23 AM]

>> You can go.

[10:54:26 AM]

>> Yeah, I think the review. Patrick Johnson City auditor's office, the review process right now is, is you have a purchaser, they have a supervisor. Supervisor will review. There's an accountant above that. They're looking at a little bit different things. But and then they would, they would kind of look at that as well. But as far as an overall review of the spending, so in a department or citywide, that's really not being done right now, but that's addressed in the recommendation. So that is something that financial services has said they will do. And I think, right, there are different strategies that the city could take to do that. So including some automated kind of look. So ai, something like that could be in the works. I think in the future. I think there, there is some talk about replacing the or. I think the contract for the credit card system is up in a couple of years. So looking at what's available and possible and making sure to implement the best review process we can.

[10:55:27 AM]

>> Okay, well, I would just echo councilmember Fuentes and saying it would be useful to get the updates as those are implemented, because some of the things that are listed in those recommendations seem helpful. But I also wonder if there's a way to, again, either automate or have a better review process so that these things aren't being caught in an audit much later or annual review,

but maybe not long after they happen. The other question I've got is, you know, when you did the peer analysis, it looks like some cities are spending far less. They're obviously issuing far less cards. So the other thing I'd like to understand is what would happen? What are the consequences? What could we expect if we were to cut or dramatically limit the amount of cards that we issued? What city government grind to a halt? What departments not be able to buy chatgpt tokens and stools? What's going on?

[10:56:22 AM]

>> I can take the question. So it's important to understand that the intent of this audit is not to say that we should cut cards dramatically. We recognize that there are benefits to card use, such as the city's rebate and reduced administrative burden. That being said, there are opportunities, as highlighted in this presentation, to align the city's practices with best practices in order to help safeguard our resources as they're being spent through credit cards. That being said, it is possible that by implementing some of these recommendations that we have outlined in the report, the number of cards may naturally decrease as we remove those cards that are underutilized.

[10:57:00 AM]

>> Okay, still not getting to the question, which is in terms of the purchases that are being made by departments, how much of these are critical to the functioning of the day to day operations of that work, versus maybe just accelerating the purchase of an item that's non-essential?

[10:57:21 AM]

>> Councilmember. The the threshold for using the purchasing card is under $3,000. So these are small dollar, high volume transactions. And but by using the purchasing card, we're actually saving a significant amount of dollars in administrative costs per transaction. And that's kind of the value basis for having a purchasing card. But there's a point of, of, you know, exceeding the benefit by having too many cards using it too often. And you're losing the opportunity for directing that to on contract manage spend. And that's the kind of the balance point that I believe we're addressed in the, in the recommendation. Historically, we've kind of looked to the departments to determine the appropriateness and the size of their card base. And we weren't twisting anybody's arms to take cards. You know, we we would make them available to the to the departments at their request and at their discretion. I think the, the what's behind the recommendation is that we provide more guidance to the departments and maybe a standard for which low use or no use cards are considered more fully. Not to suggest that we're going to take them away.

[10:58:29 AM]

We're going to just ask that the departments more thoroughly consider whether they need these cards or not, and give them an opportunity to provide us with additional justification. If they do need to keep low use or no use cards for emergency purchases, for occasional travel out of state or city executives or or similar purposes. For example, in the the former in the procurement organization. Years ago, before we had a team that was established to support emergency purchasing and contingency contracting, all of the staff were essentially available to make emergency purchases at any given time. So we had in our organization many dozens of cards that were not being used. Well, that was based on a past management decision to to ensure that staff were ready to make those purchases when needed. Since then, we've stood up an emergency response team and, and we determined that we didn't need as many cards for the the rest of our staff. So we thought we would lead by example. And we went ahead and removed all the cards from our non-supervisory staff, which was a reduction of close to to 40 cards just, just in our our area alone. That's the kind of review that we would ask from the departments to determine, did they really need these cards or are they a product of a past management decision made total sense at the time. Maybe not as important now.

[10:59:59 AM]

>> Okay. Thank you. I would hope that as you guys are implementing these recommendations that the annual review process described, there would be, as, I don't know, as thorough, but at least comparably thorough as the report that we've got now so we can understand what kind of progress we're looking at a year from now. As far as whether the recommendations have yielded the results we hope for. Thank you.

[11:00:23 AM]

>> Absolutely.

[11:00:23 AM]

>> Thank you. One other question along the lines of why would be and I don't know how this plays out in actuality, but but if you have people that need to purchase something emergency wise or otherwise, and they don't have an ability and they need, but they need it in a period of time, I would we I assume that part of the reason, given the cards would be so that they don't have to put it on a personal credit card and then seek reimbursement, pay interest and that kind of thing, and put the burden on our employees. It under those circumstances. And that could happen if you don't provide those cards. Right?

That's correct. Okay. Do you. But it is a startling number. And and while I know you're saying that it you're not judging it based upon that. We have a full slide on based on the number versus other cities. Is there a time where we can see where that went up in the city of Austin that that we we got out of whack with other cities? Is there a way to know that?

[11:01:30 AM]

>> Yes, sir. We can look back at our past volumes and see if there was a change in the trajectory over time and, and perhaps what was associated with that change? We we don't have that immediately.

[11:01:40 AM]

>> That might help us understand why we were doing some of these things. And, and, and, and I get that.

[11:01:48 AM]

>> I would say, mayor, that there's likely going to be a bend in that curve right around right around covid.

[11:01:56 AM]

>> Well, you know, unless you say that out loud, I bet that's exactly what we found. So yeah, don't spend too much time on it. I think you probably answered it.

[11:02:03 AM]

>> Yeah. But our but our colleagues in the other local governments likely experienced the same thing. They may have level set afterwards. And maybe that's that's the the point of departure. But we're certainly glad to look at that.

[11:02:13 AM]

>> Did we stop doing reviews at some point? Were we doing reviews? And then we stop doing reviews, and now we're going to go back to doing reviews. But did we stop?

[11:02:26 AM]

>> No, mayor. I believe that the we had been looking to the departments to determine the appropriate appropriateness of their request to us for the cards, and I believe that now we're going to be better assisting the departments to rationalize their card base.

[11:02:44 AM]

>> Very good. All right. Well thank you. Anything else? Members? Okay. Let's go to. Thank you all very much. Appreciate you. Let's go to item number six, which is a briefing on civilian staffing audit.

[11:03:04 AM]

>> Good morning, and thank you for having us. I'm Tyler Myers. I was the audit manager for this project. With me today is also Christina kern, who is the auditor in charge for this project. Today, we're presenting the results of our audit of civilian staffing, which looked at Austin public safety departments, Austin police, Austin fire and austin-travis county emergency medical services. The objective of this audit was straightforward. Are we effectively assigning civilian staff to tasks that create efficiencies and allow sworn staff to focus on responding to emergencies? To answer that question, we looked at staffing practices across the city, the city's public safety departments, and assessed where opportunities may exist to better align the work with the employees best position to perform it at a high level, we found opportunities to reassign some administrative and support tasks currently performed by sworn personnel to civilian staff. But before we get into the findings, I want to emphasize a few important points. First, this report is not recommending reductions to authorized sworn staffing levels. Two, we're talking about specific tasks and recommendations and responsibilities, not wholesale replacement of entire units or programs with civilian staff.

[11:04:23 AM]

Third, the potential for immediate efficiency gains is limited because many larger opportunities are constrained by legal and contractual requirements. Bottom line there are opportunities to better align

some administrative and support work with civilian staff, but any broader effort must account for the significant legal, contractual and operational realities. With that, I'll turn it over to Christina to walk through the rest of this presentation.

[11:04:50 AM]

>> Thank you Tyler. Staffing is critical to all three public safety departments. Together, the city employs over 3800 sworn staff and 700 civilian staff in these public safety departments. They have had to manage operations while still dealing with a number of sworn vacancies. In September of this year, ems had 134 sworn vacancies, Austin fire had 80 sworn vacancies and Austin police had 350 sworn vacancies, often to maintain operations. With the number of sworn vacancies these departments have, overtime costs have incurred. Since staffing is a valuable asset, it does carry significant costs when considering who might perform tasks in these departments. One can also consider the cost associated with completing the task. Generally speaking, the average civilian staff salary is less than the average sworn staff salary. In addition, in the most recent fiscal year, over $75 million were spent on overtime costs. Therefore, every sworn member that can be performing an operational role and allow a civilian staff member to perform types of administrative and supportive tasks can help reduce costs. We had two findings. Our first finding states that under current laws and agreements, civilians could perform some tasks currently assigned to sworn staff. However, the overall efficiency gains available today are limited.

[11:06:15 AM]

There are some opportunities to create efficiencies when assigning tasks in public safety departments. However, there are pros and cons to consider when deciding who might perform a task. Sometimes it's helpful to have a sworn perspective on a task. On the other hand, civilian staff can offer consistency and stability to their roles. Austin police recently had consultants identify some staffing opportunities. However, ems and Austin fire have not conducted a formal analysis to better understand where civilians could be utilized to allow sworn staff to respond to emergencies. Through our audit process, we identified some opportunities to create some efficiencies, but overall, there are limited gains. Civilian staff could be assigned tasks such as responding to public information requests, providing outreach and programing to the public, and assisting with training logistics such as scheduling training classes and preparing equipment for classes. In our report, we do have tables that list other tasks that could be done by civilian staff, so I'd encourage anyone interested in reading more about this topic to check out the additional details. Another opportunity to consider for some tasks. The utilization of retired or former sworn employees. They. There may be possibilities to use these retired or former sworn for training and other administrative duties. Former sworn would still possess that sworn perspective, but would be performing their role as a civilian. Our second finding states that the city could achieve further efficiencies and more opportunities for civilians and public safety by using future labor negotiations to remove barriers and prevent civilians from performing certain non-operational roles.

[11:07:56 AM]

Right now, our city has restrictions laid out in state laws and in our own labor agreements that prevent civilians at this time assisting in any in certain program areas. These potential opportunities use civilians that would be in communications and ems and communications in Austin fire, as well as fire prevention and in some instances, using civilians and training. We have tables in our report, again, that go into further detail about some of the opportunities the city could pursue. But there are limitations. Should any public safety department want to expand their ability to utilize civilian staff in these certain program areas, such as having a civilian take emergency calls or have a civilian perform inspections? Changes to future labor agreements would need to be negotiated. Of course, there are certain costs that come with negotiations. However, that doesn't mean public safety departments could not or should not explore the possibilities to utilize civilians in these program areas. Often we have heard there's a need to have sworn staff in these program areas, but that there are potential opportunities to use some civilian staff. We have four recommendations. I'll let Tyler elaborate further.

[11:09:08 AM]

>> I'll leave you with a main takeaway from this audit. There are opportunities for public safety departments to greater use civilian staff in certain administrative and support functions, which can help ensure sworn personnel are focused on responding to emergencies. But we also found some important limitations. This report is not recommending reduction in authorized sworn staffing, and it is not recommending wholesale replacement of sworn personnel with civilians. That's why our recommendations are focused on planning, and we're recommending that departments take a more deliberate look at where civilian staffing opportunities exist, what barriers stand in the way, and what could realistically be implemented both now and in the future. These plans can help inform future staffing decisions and labor negotiations. In other words, the recommendations are intended to help the city move from just simply identifying these opportunities to instead better understand which opportunities are practical, feasible and worth implementing. Over time. Management has agreed with all four recommendations, and a copy of their plan has been found and can be found in our report.

[11:10:15 AM]

>> We'd like to thank a tc M S Austin fire, Austin police and Austin labor relations, as well as assistant city manager Batista for their efforts on this audit. We appreciate their time and commitment to continuous improvement, and at this time, we can take any questions.

[11:10:30 AM]

>> Thank you very much. Mayor pro tem.

[11:10:34 AM]

>> Thank you very much. I think this was a really interesting and revealing audit. Obviously, public safety costs are two thirds of our general fund. So anything that we can do to control the growth of those costs is going to be very helpful and allow us to free up funds for the many other areas of the city that need investment. And I know council member alter was has talked about this, and if I'm remembering correctly, may have had a resolution on a pilot on the the accidents where, you know, right now when there's an auto accident, especially kind of a non-injury minor auto accident, you know, but of course, you know, people want officer to respond to, to take down the report and, and do what they need to do. I know other cities like New Orleans, I think in particular has successfully implemented kind of a contract model where they're, you know, sending out folks in freeing up police officers for core kind of public safety work. Where are we on that? That might be more of a staff question, honestly, than, than, than for y'all, but where are we on, on, on that.

[11:11:51 AM]

>> Austin police may be able to elaborate further, but yes, in April of this year, they started a pilot program called community service officer pilot program, and they enrolled two people, two part time employees. But yes, if someone from Austin police wants to expand further, it was a six month pilot program. I do not know the results of that pilot program.

[11:12:16 AM]

>> Good morning. Lee Rogers, chief of staff with Austin police department. Specifically, the pilot involving crashes, as you described. The biggest hurdle to that has to do with the state law and reporting. So New Orleans, being in Louisiana, didn't have that same hurdle that we did. We have two temporary employees that we are using in that that community service officer role. Right now. They're handling a lot of our tagged vehicles, our vehicle abatement program, but we haven't been able to utilize them in the crash response role.

[11:12:55 AM]

>> Got it. And I do understand that it has to be a certified peace officer, right? That responds to crashes.

[11:13:04 AM]

>> In terms of completing the crash report that's referred back to the state. Yes, sir.

[11:13:10 AM]

>> Okay. Well, and I know that there were a handful of vendors floating out there, you know, trying to trying to pitch it and all that too. But again, I think it's very interesting. Is there any sense of how much officer time is involved in responding to, to, to crashes to, to knock out that report and get it filed and get the people their info.

[11:13:34 AM]

>> I don't have those numbers off the top of my head right now. I know that that's something that we looked at before the volume of crashes, the amount of time to do those. But again, the limitation was the state law.

[11:13:47 AM]

>> Got it. Well, thank you very much, chief Rogers. Appreciate it. And one more question on just on the fire side of things is the we've talked about some in the past, and I know this was kind of discussed a bit as part of the the labor negotiations. I think the fire situation is, is a little trickier because my understanding is that state law really kind of says that we need a, licensed firefighter for virtually everything. And that in order to change that, it has to be through collective bargaining. Chief, can. Can you elaborate on that a bit?

[11:14:28 AM]

>> Yes. I mean, for fire prevention and a lot of the activities we do, it is required by state law that it be a certified firefighter doing the doing the actual job. And so we've done a lot in our fire prevention section

of trying to, you know, parse out the administrative administrative pieces. We currently have about half of our fire prevention section is civilian employees at this point. And so, you know, we really are working to use those uniform folks and the role that they are, you know, legally required to be used. And so I think we've done a good job. It would require additional changes to the cba to, I think, do anything further than what we're doing right now.

[11:15:07 AM]

>> Yeah, well, I appreciate that. And I, you know, and again, I know that there's a lot of kind of technical work that you want a firefighter to be doing in terms of inspections and in terms of kind of not the actual firefighting, but the kind of administrative and inspection work around it. But I also know there's some less technical work that could potentially be done by the civilian folks that, that I know we've talked about it when when we visited, but I do hope that there are opportunities to, to talk to the the union about that and see where we can get. And again, just try to especially as we, you know, cut the the hours with the Austin schedule that that we recently adopted. And, you know, we want to keep that that four person staffing on the trucks. We've just got to find other ways to kind of get, generate those efficiencies so we can make sure to have the, the very well resourced, well staffed fire department.

[11:16:05 AM]

>> Absolutely. We're committed to cutting costs, and we've spent the last several years looking for every area we can to uncover money. And so we'll continue to do that.

[11:16:14 AM]

>> Got it. Appreciate it. Thank you.

[11:16:16 AM]

>> Councilmember. Councilmember.

[11:16:18 AM]

>> Thank you mayor. I wanted to pick up from where mayor pro tem left off. I know we've run into some scenarios and this is for chief vocke. We run into scenarios where there is in particular communications and marketing work, that wildfire division that we've worked with chief scout on, on hundreds of thousands of dollars. And the answer we get from them is as a stoic answer, which is, well, we're the Swiss army knife of the emergency services. And if we need to be marketers, we'll be marketers. And on the one hand, I'm grateful that they're willing to step up and perform that role. On the other hand, it makes me think that, well, wouldn't it be more efficient to have a civilian doing that work? And so my question really is, again, to piggyback off mayor pro tem, do we need a certified firefighter to do that kind of work? Is there an advantage to them doing that work that I may be unaware of? And is there openness, or is this more a question for the union to figure out? Whether there's openness as we go into the next round of contract negotiation, whether that's something that they would entertain civilian doing that kind of work.

[11:17:25 AM]

>> I think that they would be open to to discussion on it, obviously. And I think there's value in having both. I think there's value in having that uniformed member standing up there when they're talking with the public as a as an expert in a certain area. And I think there's also value in having that real marketing expertise or whatever specific expertise we might get that the firefighters don't have. So I think there's a balance in there. And I think we've we've done what we could on the on the wildfire side and across the board of trying to balance out what we can, you know, use the uniform folks for and what we could and where we see value of the uniform folks being used. And then also where we can plug in the civilians to make things run, you know, more professionally or, or, you know, dig into the things that are more nuanced and require that, you know, that professional training that's outside of what we train our folks to do as firefighters.

[11:18:18 AM]

>> And that's where I'm getting to is it does seem like we were getting to a space where there was a lot of proprietary marketing knowledge that might be required to run a successful campaign, but it was the firefighter team doing that work and saying, well, I guess we're going to go. We're going to go learn the skill set to be able to perform this. And that's enterprising and great. But I also wonder if there's an efficiency that we're losing by not being able to just turn to a civilian marketer and say, help us build this program, but still have firefighters doing some of the stuff where firefighters can do the best public engagement.

[11:18:53 AM]

>> And I agree with you, and I think there is a balance, and I think there's also the possibility of, you know, contracting some of those things to, you know, to to get the expertise we need, especially in a small area that we don't use all the time.

[11:19:06 AM]

>> Okay. Well, it sounds like there's a follow up conversation there to have perhaps with the union and, and verify their appetite for that going forward. Yes, sir. Thank you.

[11:19:20 AM]

>> As as mayor pro tem mentioned, this has been a key interest that I've had for a couple years now. And I think, you know, we have looked particularly at the car crash issue, and I do still think there are more opportunities there than maybe we have been willing to go through. You know, I think of it very much akin to how we see individuals practicing under what now, doctor Escott license or or I guess since doctor Watson's license has now changed. But where that that form has to be submitted by a licensed peace officer. But that doesn't mean that someone else couldn't go do the legwork. The peace officer reviews it and submits it. Right. We do things like that all the time in public health and other settings. So I think there is a level of creativity that we could be engaging in as a city. You know, I think also very frequently about the burglar alarm situation. I'm last statistic I saw was the number two call for a pd, and over 95% of them are false alarms. Now, you don't know on the front end which ones, the false alarm and which ones not. So you can't just send the civilian to the false alarms and the police officer to the not. But you know, I remember the chief talking about the drones as first responder situation where they can check out, you know, do we even see anybody on the premises and send a police officer? Or could you send, you know, eyes from a distance and then send somebody or not? So I just think that there are there are more opportunities than just the desk jobs, you know, the reviewing things. If we're willing to be more creative about how we do it. And I know that requires a little bit of a.

[11:21:14 AM]

The, the ship steers very slowly, but we can we can do that if we're willing to. But I'd really like to work with all the departments, police, fire and ems to really understand just what are your employees? What's the jobs they don't like doing, right? Like what? We know that they have engaged in this role to, to serve the public. And are there areas that are just, you know, we could free them up to do more of that, understanding what they're not wanting to do. And so this could really be a win win in terms of our ability to lower costs, but also just improve the daily experience and quality of life for our public safety positions. So as we move forward in this, and I, I'm fortunate enough to, to be sitting in this seat for a little while longer, I'm going to be pushing really hard on this, but I'd love for y'all's help to help us

understand, you know, what, what would your the firefighters, the police officers, the medics, you know, if they could not be doing something and hand that off to someone else, what would that be? And is there a route for us to achieve that and achieve savings as a city? So I'll just leave.

[11:22:26 AM]

>> It at that. Thank you. Yes, councilor Fuentes.

[11:22:29 AM]

>> Thank you for your comments. I did do a quick Google search and saw that representative lahood last session filed legislation that would allow civilians within a law enforcement agency to provide that report. And so I do think with legislative session coming up in a few months, that that would be other legislation we could add to our policy agenda. I'm wondering if we can get someone from management to speak to this audit report and just share with us their feedback and insight as to what they want to move forward with.

[11:23:03 AM]

>> Well, he's coming up. I'll mention I'm going to I'm the chair now of the Texas mayors coalition, and we're putting together what we're referring to as the Texas cities compact. We're in the process of doing that. And and the Texas cities compact is going to be a bipartisan common sense approach to different things to allow cities to to do a better job. And basically, it's an effort to renew the partnership between cities and the state government. And it has three pillars to it. One is authority to do the jobs that our constituents want to see us do. Two is the tools to do that job, and three are resources to do the job. And this discussion we're having right now strikes me as fitting into all three of those things. So I see somebody in the back of the room, I think I do, or halos awful big today, so it's hard to see from that glare. But but anyway, I'll we'll visit about that with the the other mayors, in addition to what we might do as a city.

[11:24:13 AM]

>> I love that.

[11:24:14 AM]

>> Thank you.

[11:24:17 AM]

>> Good morning, Mr. Mayor and.

[11:24:19 AM]

>> Council members.

[11:24:20 AM]

>> I had reviewed the report. I do come from a long history of being able to use professional staff in public safety, and I definitely believe in the concept. As I've seen it work. Texas is a little bit different. There are statutory limitations on what we can do. Nonetheless. To council member alter's point, I think that there are opportunities that we can still explore. So, for example, on a traffic accident, you're right, we could send community service officers to do the work. Perhaps it's a multiple car traffic accident blocking an intersection. The csos could work around keeping traffic flowing around that event while the patrol officer, one patrol officer versus multiple patrol officers are responding now to handle the actual paperwork. I don't know if I'd get into the weeds about allowing the community service officer to do the paperwork and then have it checked by someone else, because, you know, if you're the person in a traffic accident, you want an expert to recognize what happened and issue citations as appropriate.

[11:25:23 AM]

And I think that would be a police officer, but there are still opportunities. And then there are some limitations. For example, I think on the fire department side, I think it's going to be very important, and the chief would probably acknowledge the same that if it comes when it comes down to training, you want experienced firefighters that are doing the work today to be able to be the ones that are as trainers, training the future generation of firefighters, and that is life safety for the people that they're responding to and also for their own safety as they go out and do very dangerous work. So I can definitely see there's opportunities, but I can also see the challenges and limitations that are involved on

the communication side. For example, the fact that we have folks that have a lived experience as a paramedic and emt handling some of those emergency calls, coming in and then being able to use the clinical guidelines from our medical director to then be able to issue the next set of instructions on how and what happens next. I completely understand that part of it, and I've had a lot I spent a lot of time talking to our labor relations attorney to best understand some of the challenges in the code and where we're at, but I regardless, I still see the opportunities. I wanted to make sure that we did not forget that the auditor was pretty clear about the fact that they're not recommending wholesale changes or reductions in the workforce, but certainly there are opportunities for use of professional staff in these positions to help augment and improve our service delivery across the board.

[11:27:01 AM]

>> Thank you, acm, I certainly want to continue the conversation on this. Maybe at our next meeting, we can talk through what those specific opportunities that you see as it relates to strategies and adjustments we can make to address overtime costs. Specifically, I'd be curious to see what we can do there and to move forward with them, especially if we have a pilot. I mean, I just heard about this pilot program within APD around community. What is the program called? A community response officer.

[11:27:32 AM]

>> Community service officers. And there's two of them, and it's been very successful. I have been made aware of the number of compliments that they've received for their work in the community and, and the kind of work they're doing, I think does put them in a situation where folks could be upset because they're getting people's cars towed in places where they're blocking or have been there too long, but nonetheless, their interaction with the community is such that it's garnering them praise from the people that they're dealing with.

[11:28:04 AM]

>> Very good. Thank you.

[11:28:06 AM]

>> Thanks. Anything else? Thank you all very, very much. Members. That concludes the agenda. Unless somebody wants to identify a specific item for a future meeting. With that being said, that concludes the

agenda for the city council of Austin, Texas audit and finance committee for this date. Without objection, we are adjourned. It is 11:28 AM. Thank you.