

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
AUGUST 30, 2019 at 10:00 AM
MUNICIPAL PLAZA BUILDING**

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| Committee Present: | Councilmember John Courage, <i>District 9, Chair</i> Councilmember Roberto C. Treviño, <i>District 1</i> Councilmember Clayton Perry, <i>District 10</i> Citizen Member Priscilla Soto |
| Committee Absent: | Citizen Member Judy Treviño |
| Staff Present: | María Villagómez, <i>Deputy City Manager</i> ; Andy Segovia, <i>City Attorney</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; Kevin Barthold, <i>City Auditor</i> ; Heber Lefgren, <i>Director, Animal Care Services</i> ; Patricia Muzquiz Cantor, <i>Executive Director, Convention & Sports Facilities</i> ; Verónica R. Soto, <i>Director, Neighborhood and Housing Services Department</i> ; Christie Chapman, <i>Assistant Director, Transportation and Capital Improvements</i> ; Trey Jacobson, <i>Center City Development and Operations Department</i> ; Maria Perez, <i>Compliance Auditor</i> ; Tina J. Flores, <i>Interim Deputy City Clerk, Office of the City Clerk</i> ; Denice F. Trevino, <i>Office of the City Clerk</i> |
| Others Present: | Andres Peña, <i>Kaufman & Killen</i> |

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Approval of the Minutes from the Audit & Accountability Committee Meeting on June 18, 2019

Councilmember Treviño moved to approve the Minutes of the June 18, 2019 Audit and Accountability Council Committee Meeting. Citizen Member Soto seconded the motion. The motion carried unanimously by those present.

CONSENT AGENDA

Pre-Solicitation High Profile Items

- 2. Sealing Channel Phase 3 Project.** [Roderick Sanchez, Assistant City Manager; Razi Hosseini, Interim Director, Transportation and Capital Improvements]
- 3. Airport Integrated Control Center at San Antonio International Airport.** [Carlos Contreras, Assistant City Manager; Razi Hosseini, Interim Director, Transportation and Capital Improvements]

Post-Solicitation High Profile Items

4. **On-Call Plumbing Services for the San Antonio Airport System.** [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]
5. **On-Call Professional National Environmental Policy Act (NEPA) Consulting Services.** [Roderick Sanchez, Assistant City Manager; Razi Hosseini, Interim Director, Transportation and Capital Improvements]

Councilmember Rocha Garcia moved to approve Items 2 through 5. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

ITEMS FOR INDIVIDUAL CONSIDERATION

6. FY 2020 Proposed Audit Plan

Kevin Barthold stated that the Office of the City Auditor sought input from the Mayor, City Councilmembers, City Manager, Executive Leadership Team, and select department directors in development of the FY 2020 Proposed Audit Plan. He noted that the Audit Plan included audits, analysis, follow-up audits, and special projects. He stated that the Audit Plan could be revised if necessary and would be presented to City Council on September 19, 2019 for consideration.

Citizen Member Soto moved to recommend and forward the FY 2020 Proposed Audit Plan to City Council for consideration on September 19, 2019. Councilmember Rocha Garcia seconded the motion. The motion carried unanimously by those present.

7. FY 2020 Proposed Budget for Auditor's Office

Kevin Barthold stated that the proposed FY 2020 Budget for the Office of the City Auditor was \$3.1 million. He noted that the staffing would remain the same with 23 professional personnel. He reviewed the revenues and appropriations for the FY 2019 Adopted Budget.

No action was required for Item 7.

Pre-Solicitation High Profile Briefings

8. Continental Hotel Property. [Lori Houston, Assistant City Manager; Trey Jacobson, Center City Development and Operations]

Trey Jacobson stated that the City would seek competitive proposals for the sale and redevelopment of a city-owned building and adjacent parking lot located at 322 W. Commerce known as the Continental Hotel. He noted that this would provide an opportunity for developers to redevelop the property for mixed-income residential housing to meet the demand for downtown living, which may include future students, faculty, and staff of UTSA's expanding downtown campus. He stated that the solicitation type was a Request for Proposal (RFP) with an estimated value of \$4.85 million. He provided an overview of the solicitation to include outreach, evaluation voting members, evaluation criteria, and additional requirements. He noted that the solicitation would be released on September 7, 2019 and the deadline for proposals was October 22, 2019. He stated that the item would be brought before the full City Council on January 16, 2020 for consideration.

Chairman Courage asked if Evaluation Voting Members would be excluded from submitting a proposal. Mr. Jacobson replied that staff confirmed with committee members in advance that they and their organizations had no interest in submitting a proposal for this project and the members would not have a direct or indirect conflict of interest.

No action was required for Item 8.

9. Rental Housing Development and Homeownership Development. [Lori Houston, Assistant City Manager; Verónica R. Soto, Director, Neighborhood and Housing Services Department]

Verónica Soto stated that the Neighborhood and Housing Services Department (NHSD) would provide gap funding utilizing CDBG and HOME funds for rental housing development and homeownership housing development projects. She noted that outcomes would include acquisition, rehabilitation, resale or new construction of homeownership housing, and acquisition, rehabilitation or new construction of rental housing. She stated that the solicitation type was a Request for Applications (RFA) with an estimated value of \$3 million (CDBG and HOME). She noted that the terms would be based on the deal and restricted covenants would be imposed. She provided a solicitation overview to include outreach, voting and advisory members of the Homeownership Housing Development Project Evaluation Committee, evaluation criteria, and additional requirements. She stated that the RFA would be released on September 13, 2019 and the due date was October 28, 2019. She noted that the proposal would be presented to City Council on December 5, 2019 for consideration.

Chairman Courage asked for the definition of gap financing. Ms. Soto stated that gap financing was the funds utilized to offset the difference between affordable housing and market rates.

Councilmember Treviño asked for the importance of underwriting in the evaluation criteria. Ms. Soto stated that underwriting was utilized to determine if the project was viable, the costs were reasonable, and the project was sustainable.

No action was required for Item 9.

Post-Solicitation High Profile Briefings

10. Neighborhood Improvements Bond Program – Southeast Service Center. [Lori Houston, Assistant City Manager; Verónica R. Soto, Director, Neighborhood and Housing Services Department]

Ms. Soto stated that the Southeast Service Center site encompassed 12.38 acres and was located at the northeast corner of S. New Braunfels and S.E. Military Drive. She noted that the City sought proposals from developers to construct an Affordable/Workforce Housing Development consistent with the voter-approved Neighborhood Improvements Bond Program in accordance with the City Council approved Urban Renewal Plan and Chapter 374 Urban Renewal Statute. She stated that the solicitation type was an RFP with an estimated value of \$1,940,000 for the land and \$4,200,000 for gap financing. She noted that the proposed term was for three years and units at 30%, 40%, 50%, and 60% Average Median Income (AMI) would be available. She stated that three firms responded to the RFP and she summarized the scoring for each proposal. She noted that the due diligence performed resulted in no findings.

Chairman Courage requested a breakdown of the types and number of units. Ms. Soto reported that there were a total of 292 units of which there were 34 at 30% AMI; 9 at 40% AMI; 9 at 50% AMI; 141 at 60% AMI; a few over 60% AMI; 69 at 70% AMI; and 30 at no more than 80% AMI.

Councilmember Rocha Garcia requested a matrix of preference programs. Mr. Gorzell stated that the information would be provided.

Councilmember Rocha Garcia moved to forward the selected vendor to City Council for consideration on September 12, 2019. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

11. Automated Ticketing System for the Convention & Sports Facilities Department. [Carlos Contreras, Assistant City Manager; Patricia Muzquiz Cantor, Executive Director, Convention & Sports Facilities]

Patricia Muzquiz Cantor stated that an RFP was issued on January 11, 2019 to solicit proposals for an exclusive agreement to provide automated ticketing services for the Convention & Sports Facilities for a five-year term with one, five-year renewal option. She noted that the contract would begin on October 1, 2019 with an estimated value of \$20 million in revenue over the term of the contract. She stated that three proposals were received and evaluated. She named the Evaluation Committee Members and the evaluation criteria. She noted that due diligence was performed and several lawsuits were noted and provided to the City Attorney's Office for review. She stated that the City Attorney's Office confirmed that staff should proceed with the evaluation. She noted that this item would be forwarded to City Council for consideration on September 19, 2019.

Chairman Courage asked why the lawsuits were a factor in the due diligence review. Andy Segovia stated that the lawsuits were consistent with what you would expect for large national firms.

Councilmember Treviño asked if Arts Funding was included in the RFP. Carlos Contreras stated that it was included in the RFP and was scored as a component of the solicitation.

Councilmember Treviño moved to forward the top-ranked respondent to City Council for consideration. Councilmember Rocha Garcia seconded the motion. The motion carried unanimously by those present.

12. Operations and Management of the Paul Jolly Center for Pet Adoptions. [Maria Villagómez, Deputy City Manager; Heber Lefgren, Director, Animal Care Services]

Heber Lefgren stated that on April 19, 2019, an RFP was released seeking qualified and experienced non-profit organizations to manage and operate the Paul Jolly Center and Petco Pavilion. He noted that three proposals were received and one was deemed non-responsive. He stated that the term of the contract was for three years with one, three-year renewal option and was valued at \$475,000 in the first year and \$495,000 in subsequent years. He noted that the selected tenant would be required to rescue a minimum of 2,000 animals each year, maintain a live release rate of 90% for all pets rescued and provide educational opportunities for the community. He stated that the tenant must provide veterinary care and treatment, including sterilization, for animals at the facility and will pay the City an annual lease amount of \$1.00. He noted that the selected tenant would provide repair and maintenance at the facility and all operational revenue would be retained by the tenant. He provided the names of the Evaluation Committee Members and the evaluation criteria. He stated that due diligence review resulted in no findings.

Chairman Courage asked for the estimated value of the proposal. Mr. Lefgren stated that the estimated value was the cost to the City.

Councilmember Rocha Garcia asked what would happen if the tenant did not attain the required 90% live release rate. She also requested reports to be provided by the tenant. Mr. Lefgren replied that the tenant must provide monthly reports and if the live release rate of 90% was not attained the contract could be terminated.

Councilmember Treviño asked if the target goals could be adjusted. Mr. Lefgren stated that this question was part of the RFP. A discussion ensued regarding the target goals in the RFP. Councilmember Treviño requested further briefing of this item.

Councilmember Treviño moved to forward this item to City Council for a briefing prior to consideration. Councilmember Rocha Garcia seconded the motion. The motion carried unanimously by those present.

Consideration of Items for Future Meetings

Mr. Barthold stated that five Audit Reports would be included on next month's agenda of September 17, 2019.

ADJOURN

There being no further discussion, Chairman Courage adjourned the meeting at 11:25 a.m.

ATTEST:

John Courage, Chairman

*Tina J. Flores
Interim Deputy City Clerk
Office of the City Clerk*