

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
OCTOBER 3, 2017 at 9:30 AM
CITY HALL, MEDIA BRIEFING ROOM**

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 Tom Nichta
Staff Present:	Kevin Barthold, <i>City Auditor</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> ; Carlos Contreras, <i>Assistant City Manager</i> ; María Villagómez, <i>Assistant City Manager</i> ; Russ Handy, <i>Aviation Director</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Ryan Rocha, <i>Aviation Chief of Operations</i> ; Karen Ellis, <i>Aviation Chief Customer Experience Officer</i> ; Heber Lefgren, <i>Director of Animal Care Services</i> ; Michael Rodriguez, <i>Assistant to the Director of Animal Care Services</i> ; Jose De La Cruz, <i>Chief Innovation Officer</i> ; Catherine Tkachyk, <i>Innovation Manager</i> ; Mark Triesch, <i>Assistant City Attorney</i> ; Katinka Howell, <i>Assistant City Attorney</i> ; Bob Nordhaus, <i>Assistant City Attorney</i> ; Norbert Dziuk, <i>Finance Procurement Operations Lead</i> ; Christie Chapman, <i>Assistant Director of TCI</i> ; Michael Sindon, <i>Assistant Director of EDD</i> ; Tina Flores, <i>Compliance Auditor</i> ; Patrick Steck, <i>Special Projects Manager</i> ; Lauron Fischer, <i>Executive Management Assistant</i> ; Justin Renteria, <i>District 1</i> ; Liz McLeod, <i>District 7</i> ; Derek Roberts, <i>District 9</i> ; Paul Jimenez, <i>District 10</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i>
Others Present:	Mark Metcalfe, <i>Wells Fargo</i> ; Laura Powell, <i>Wells Fargo</i> ; Laura Cabanilla, <i>Wells Fargo</i> ; Andy Deskins, <i>Wells Fargo</i> ; José Hernández, <i>Wells Fargo</i> ; Michael King, <i>Wells Fargo</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

Financial Policy

1. A Briefing regarding Broker/Dealer Services to be utilized by the City for investment transactions.

Ben Gorzell stated that the issue of the city's relationship with Wells Fargo was raised by Chairman Courage during the approval of the Investment Policy on September 21, 2017. He noted that while the Investment Policy had been approved, a hold was placed on conducting business with Wells Fargo until a briefing was presented to the Audit and Accountability Council

Committee. He provided an overview of the Investment Policy approval process, how brokers/dealers were selected for the vendor pool, and how companies were selected to perform trades. He noted that the city had worked with Wells Fargo from 2002 to 2008, in 2013, and from 2015 to present. He stated that for Fiscal Year 2017, Wells Fargo had conducted 10 trades for a total value of \$185 million. He noted Wells Fargo was also part of the Financial Underwriting Pool and provided Purchasing Card Services.

Mark Metcalfe stated that Wells Fargo wanted to address three primary ideas based on City Council's comments: (1) Rebuilding Trust; (2) Fixed Income Sales & Trading; and (3) Commitment to San Antonio and Texas. He noted that in response to the previous year's sales scandal, Wells Fargo had done the following:

- Refunded potentially unauthorized fees
- Implemented automated notification processes regarding account activity
- Reached out to customers for feedback
- Offered financial settlements
- Changed the incentive compensation program

Mr. Metcalfe provided an overview of the structure of Wells Fargo, comparative banking agency volume, and the global fixed income distribution network. He stated that Wells Fargo employed over 5,000 people and maintained 51 branch locations in the San Antonio Area. He noted Wells Fargo's contributions in San Antonio's Community Development, Education, Nonprofits, Volunteering, and LiftFund. He highlighted Wells Fargo's small business and home mortgage lending in San Antonio and Texas as well as their "High Satisfactory" service rating from the Community Reinvestment Act Exam. He stated that the company acknowledged their previous wrongdoing and was working hard to restore consumer trust and confidence. He thanked the Committee for the opportunity to present.

Chairman Courage noted concerns with \$11 billion in fines and penalties since 2000 for Wells Fargo's business practices including violations as recent as 2016. Mr. Metcalfe replied that there had been significant changes in leadership and its structure to guarantee positive change. Laura Powell added that periodic SEC findings were common for all large banks and Wells Fargo had adjusted its risk management structure to address those concerns.

Councilmember Perry moved to rescind the hold on conducting business with Wells Fargo. Councilmember Treviño seconded the motion.

Citizen Member Nichta asked whether additional company information could be requested during the next Request for Quotation (RFQ) process. Mr. Gorzell replied that clarification regarding these issues could be requested under the Background portion of the RFQ. Mr. Nichta asked if there had been any issues in working with Wells Fargo in the past. Mr. Gorzell replied that nothing had occurred to impact their working relationship. Councilmember Perry stated that the reason for his motion was Wells Fargo's commitment and contribution to the San Antonio community.

The motion to rescind the hold on business with Wells Fargo failed by the following vote: **AYES:** Perry and Treviño. **NAY:** Courage. **ABSTAIN:** Nichta.

Chairman Courage stated that the decision to remove the hold would be left to the full City Council.

High Profile Contract Subcommittee Items

Consideration of High Profile Solicitations for Release

2. On-Call Construction Materials Testing [Aviation]

Russ Handy stated that the pre-solicitation was comprised of four contracts valued at \$450,000 each for terms of five years. He noted that they covered a variety of ongoing projects at both San Antonio International Airport and Stinson Municipal Airport including pavements, structures, and facilities to provide testing and quality control service. He stated that they were indefinite quantity and indefinite delivery contracts.

Citizen Member Nichta asked why a separate contract for testing was necessary and if this led to unnecessary waste of funds. Mr. Handy replied that testing was required as part of Federal Guidelines. Councilmembers Perry and Treviño remarked that this was a standard practice during construction processes.

No action was required for Item 2.

Consideration of Completed High Profile Solicitations

3. Annual JOC for On-Call HVAC [Aviation]

Russ Handy stated that the contract totaled \$4 million and they had received four responses. He noted that they were recommending it be awarded to two firms based on the scope and size of requirements for heavy industrial HVAC Equipment. He provided an overview of the solicitation requirements and stated that the two recommended firms had previous experience with the city that indicated their ability to respond to issues quickly.

Citizen Member Nichta expressed concerns about a low-scoring firm and whether they would be invited to bid in the future based on lack of preparation. Mr. Gorzell stated that the Scoring Committee would provide feedback but no one would be precluded from bidding.

Elevator and Escalator Maintenance and Repairs for San Antonio Airport System [Aviation]

Russ Handy stated that the contract totaled \$1.6 million annually with a value of \$8 million over the life of the contract at three years with two, 1-year options for renewal. He noted that the contract included 21 escalators and 23 elevators and covered materials, labor, supervision, tools, and maintenance.

Distributed Antenna System for Convention and Sports Facilities [CSF]

Ben Gorzell stated that this item had been pulled from consideration.

Councilmember Treviño moved to accept Item 3. Citizen Member Nichta seconded the motion. The motion carried unanimously.

Select High Profile Pre-Solicitation

4. Terminal A Food/Beverage/Retail Prime Concessionaire [Aviation]

Russ Handy stated that the contract was for an initial term of seven years with three, 1-year extensions valued at \$19.5 million. He highlighted the Strategic Plan and its indication that packaging leases rather than continuing with short-term individual leases would be beneficial. He noted that the Request for Proposals (RFP) would be for combined food, beverage, and retail concessions and would include requirements to enhance local branding, offer more sit-down service, and include more fresh & healthy options based on customer feedback. He outlined the solicitation requirements and stated that the business transition would not occur until after the Final 4 Tournament.

Councilmember Treviño asked of the ACDBE percentage goals for the contract. Barbara Treviño replied that the amounts were 24.45% for the food and beverage portion and 20.19% for retail and were based on the availability of companies by business type. Councilmember Treviño asked for a percentage comparison with other airports.

Chairman Courage asked how the length of the contract was determined. Mr. Handy replied that it was considered a short term by industry standards but long enough to give companies certainty of Return on Investment and would allow the majority of concession leases at the airport to have similar expirations.

Councilmember Perry asked if the contract would include a Termination for Convenience Clause. Steven Milburn replied that it would. Carlos Contreras added that there were fees if the city exercised that option and those fees contributed to the decision to select a seven-year term.

Chairman Courage asked if they anticipated national response to the RFP. Mr. Handy replied that they did and many of the companies already identified as fitting the requirements operated as large, national companies that partnered with smaller, local firms.

Citizen Member Nichta asked if the contract covered companies with current leases in Terminal A. Mr. Handy replied that the current companies were under separate, individual leases. Mr. Nichta asked of city control over the selection of vendors for each space. Mr. Handy replied that the RFP included specific space requirements with some flexibility for the remaining locations. Mr. Nichta asked how payments were collected. Mr. Handy replied that individual companies would pay the prime contractor and the prime would pay the city. He added that any issues related to the contract would be handled directly with the prime. Mr. Nichta asked of audit opportunities. Mr. Handy replied that the city could audit the prime as well as subcontractors.

Councilmember Treviño asked how the contract would impact the overall Strategic Plan of the airport, particularly with regard to the Arts. Mr. Handy replied that they could include art,

culture, music, or other components in the RFP and would allow room for creativity in the proposals.

No action was required for Item 4.

Select High Profile Post-Solicitation

5. Community Spay & Neuter Surgeries [Animal Care Services]

Heber Lefgren stated that the contract was for a three-year term with two, 1-year options for renewal and valued at \$895,000 annually. He outlined the timeline and noted that ACS had been negotiating the terms of the contracts since evaluations had occurred in September 2017. He stated that the project scope was to fund 12,000 free spay and neuter surgeries for San Antonio residents and would also require participating agencies to offer low cost rabies and microchip services. He noted that the city would pay the agencies \$75 for each surgery and the agencies were required to maintain a 99% success rate. He highlighted Background as highly weighted in the evaluation process due to the necessity of working within the community, with city services, and providing specialized customer service. He stated that all five respondents were initially selected to provide the services but one withdrew based on the terms of the contract; the remaining four companies were being recommended and would go before the full City Council for consideration October 19, 2017.

Mr. Elliott stated there were no adverse findings in terms of due diligence. Kevin Barthold noted no issues from an audit perspective.

Item 7 was addressed at this time.

7. Digital Community Kiosks [Innovation]

Jose De La Cruz stated that the contract was valued at over \$1 million for a five year term with four, 1-year renewal options. He provided an overview of the project timeline. He stated that the project included installation of up to 25 digital kiosks with the following potential features:

- Free wi-fi
- Multilingual service
- Hyper-local info tailored to the surrounding area
- ADA accessibility
- Sensors for air quality and pedestrian traffic

Mr. De La Cruz stated that they would decide on locations for the kiosks and were currently considering the Missions, Downtown, the Airport, and City Parks. He stated that they were discussing collaboration with VIA and CPS for the sensors. He noted the solicitation requirements and highlighted a 4% SBEDA subcontracting requirement. He stated that the Evaluation Committee was comprised of executive representation from the city, VIA, and a representative from the technology community.

Mr. Elliott stated that of the four final firms, one was disqualified for failing to meet the SBEDA subcontracting requirement. Mr. Barthold stated that there were no findings from an audit perspective.

Item 6 was addressed at this time.

6. Advertising and Marketing Services [Aviation]

Mr. Handy stated that the scope of the contract was for an on-call firm to assist with marketing and advertising services for all aspects of airport operations. He noted that the contract had a capacity of \$800,000 annually over a three year term with two, 1-year options for renewal. He stated that the contract would go before the full City Council on November 16, 2017 following contract negotiations to include:

- Advertising strategies and promotions
- Monitoring ROIs
- Accounting
- Reporting

He stated that part of the evaluation process included the firm presenting a solution to a proposed issue at the airport to simulate their potential work environment. He stated that they would recommend a joint venture between a national company and a local firm with the local firm performing 57% of the work.

Mr. Elliott stated that out of five firms, one was deemed non-responsive due to missing information and two were eliminated based on their presentation quality. Mr. Barthold noted no findings from an audit perspective.

Item 8 was addressed at this time.

8. Design Services for the Airport Integrated Control Center [Transportation and Capital Improvements]

Christie Chapman stated that though the project would take place at San Antonio International Airport, TCI would oversee design and construction services. She noted that the final recommendation would go before City Council in October 2017. She stated that the project scope included renovation of an existing aviation building to be the Integrated Control Center housing emergency, training, and administrative services. She noted an 18% SBEDA subcontracting requirement. She stated that 1,700 vendors had been notified, 28 attended pre-submittal conferences, and four submissions were received with no findings.

Mr. Barthold stated there were no findings from an audit perspective.

Citizen Member Nichta asked why there appeared to be an emphasis on experience with the San Antonio Region and the City of San Antonio. Mr. Handy replied that the center would bring the airport up to industry standards of centralized access and response so the design firm needed to understand regional integration and issues specific to San Antonio.

Citizen Member Nichta moved to forward Item 8 to the full City Council for consideration. Councilmember Treviño seconded the motion. The motion carried unanimously.

Chairman Courage addressed Item 6 at this time.

6. Advertising and Marketing Services [Aviation]

Councilmember Perry asked of consolidating advertising contracts across multiple departments. Katinka Howell stated that in terms of Aviation Contracts, the terms may be difficult to set with other departments because of Federal ACDBE Requirements. María Villagómez stated that the city was currently conducting a review and analysis regarding consolidation and would bring the findings to City Council at a later time.

Councilmember Treviño moved to forward Item 6 to the full City Council for consideration. Councilmember Perry seconded the motion. The motion carried unanimously.

Chairman Courage addressed Item 7 at this time.

7. Digital Community Kiosks [Innovation]

Councilmember Treviño asked of Bexar County's kiosks and the possibility of integration. Mr. De La Cruz replied that the city had approached Bexar County regarding collaboration but the County chose to work independently. He added that the city's kiosks would be more dynamic and have the opportunity for more features. Ms. Villagómez stated that they would meet with local government agencies to work together on integrating Smart City Technology. Councilmember Treviño asked how the design of the kiosks would be integrated to fit the look of their environments. Mr. De La Cruz replied that the firm was flexible in terms of design and fabrication. Ms. Villagómez added that the outside of the kiosks would be changeable. Councilmember Treviño asked of staying current with technology. Ms. Villagómez stated that the firm was responsible for updates and the operating system would be refreshed as technology evolved.

Councilmember Perry asked how vandalism would be addressed. Mr. De La Cruz stated that the vendor would be required to replace vandalized or damaged components within a required time period. Councilmember Perry asked of accessibility and whether the Evaluation Committee had included someone with expertise in that regard. Mr. De La Cruz replied that the kiosks would be accessible for the visually and hearing impaired. Ms. Villagómez stated that the vendor had allowed them to test the accessibility functions of the kiosks but the Evaluation Committee did not contain an accessibility expert.

Councilmember Perry exited the meeting.

Citizen Member Nichta expressed concerns about the restrictions to receive local preference points and the efficacy of the program since companies may not qualify for points but generate revenue within San Antonio. Mr. Gorzell replied that the current low bid process to award contracts to local companies within 3% of the lowest bidding company represented an insignificant difference in cost. He added that the city was looking into awarding experience

points differently in relation to locality and would present those recommendations to the Committee at a later date.

Chairman Courage asked of how the number of kiosks was decided. Ms. Villagómez replied that this was considered a pilot program but could be evaluated for expansion after the first six months and that the kiosks were provided at no cost to the city because of the contract's revenue sharing component.

Citizen Member Nichta moved to forward Item 7 to the full City Council for consideration. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Chairman Courage addressed Item 5 at this time.

5. Community Spay & Neuter Surgeries [Animal Care Services]

Citizen Member Nichta asked if the services were available to everyone in San Antonio. Mr. Lefgren replied that the contract services were offered in areas of need determined by call volume and the number of stray and roaming animals. Ms. Villagómez stated that the contract specified which zip codes were eligible for services.

Chairman Courage asked of mobile surgical units. Mr. Lefgren replied that the majority of contractors included a mobile component. Chairman Courage asked of attaining the 12,000 surgery goal. Mr. Lefgren replied that they had a similar goal for the last five years and achieved it each year.

Citizen Member Nichta moved to forward Item 5 to the full City Council for consideration. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Adjourn

There being no further discussion, Chairman Courage adjourned the meeting at 11:48 a.m.

ATTEST:

John Courage, Chairman

Leticia Y. Saenz
Deputy City Clerk