

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
AUGUST 23, 2018 at 9:30 AM
MUNICIPAL PLAZA, B 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 Judy Treviño
Committee Absent:	Citizen Member Priscilla Soto
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Andy Segovia, <i>City Attorney</i> ; Erik Walsh, <i>Deputy City Manager</i> ; Peter Zanoni, <i>Deputy City Manager</i> ; Rod Sanchez, <i>Assistant City Attorney</i> ; María Villagómez, <i>Assistant City Manager</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; William McManus, <i>Chief of Police</i> ; Russ Handy, <i>Director of Aviation</i> ; Verónica Soto, <i>Director of Neighborhood & Housing Services</i> ; Melody Woosley, <i>Director of Human Services</i> ; Kevin Goodwin, <i>Director of Information & Technology Services</i> ; Dr. Colleen Bridger, <i>Director of Metropolitan Health</i> ; Mike Frisbie, <i>Director of TCI</i> ; David McCary, <i>Director of Solid Waste Management</i> ; Ray Rodriguez, <i>Deputy City Attorney</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Dr. Mike Etienne, <i>Assistant Director of Neighborhood & Housing Services</i> ; Michael Sindon, <i>Assistant Director of Economic Development</i> ; Christie Chapman, <i>Assistant Director of TCI</i> ; Jessica Dovalina, <i>Assistant Director of Human Services</i> ; Kathy Donellan, <i>Assistant Director of San Antonio Public Library</i> ; Chris Hebner, <i>Assistant City Attorney</i> ; Laura Cedillo, <i>Assistant City Attorney</i> ; Scott Zimmerer, <i>Assistant City Attorney</i> ; Tina Flores, <i>Compliance Auditor</i> ; Mark Bigler, <i>Audit Manager</i> ; Gabe Treviño, <i>Audit Manager</i> ; Buddy Vargas, <i>Audit Manager</i> ; Nastasha Leach, <i>Auditor</i> ; Abigail Medina, <i>Auditor</i> ; Sheryl Wardashki, <i>Auditor</i> ; Lorenzo Garza, <i>Auditor</i> ; Lauron Fischer, <i>Executive Management Assistant</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i>
Others Present:	Wesley Fonseca, <i>NRP Group</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Approval of the Minutes from the Audit & Accountability Committee Meeting on June 19, 2018

Councilmember Perry moved to approve the minutes of the June 19, 2018 Audit and Accountability Council Committee meeting. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

CONSENT AGENDA

Item 10 was pulled for Individual Consideration.

Pre-Solicitation High Profile Items

- 2. On-Call Aviation DBE General Engineering Consultant Services [Aviation]**
- 3. Job Order Contract Program 2019 [Transportation & Capital Improvements]**

Post-Solicitation High Profile Items

- 4. Annual Contract for SAPL Custodial Services [Library]**
- 5. Rental of Barricades [Transportation & Capital Improvements]**
- 6. Aviation Job Order Contracting [Transportation & Capital Improvements]**

Final Internal Audit Reports

- 7. AU18-020 Audit of SAPD Confidential Informant & Crime Stoppers Reward Funds**
- 8. AU17-010 Audit of Metro Health District Health Food Inspections**
- 9. AU17-013 Audit of ITSD Customer Service Desk**

Councilmember Perry moved to accept Items 2 through 9. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

ITEMS FOR INDIVIDUAL CONSIDERATION

Final Internal Audit Reports

- 10. AU17-025 Audit of SWMD Heavy Equipment Service Centers**

City Auditor Kevin Barthold stated that the audit examined maintenance schedules, inventory, recordkeeping, and repairs. He noted that the findings resulted in a clean audit and operations

and processes were effective and timely. He stated that staff recommended a standardized process to document training and implementation of controls to ensure proper facility access and functionality of security cameras. He noted that management agreed with the recommendations.

David McCary thanked the auditors for their work and stated that the recommendations had been implemented.

Councilmember Perry asked of collaboration with other organizations to establish best practices. Mr. McCary replied that the Solid Waste Management Department met quarterly with CPS Energy, San Antonio Water System, and the Building and Equipment Services Department to conduct benchmarking and collaboration.

Councilmember Treviño entered the meeting at this time.

Councilmember Perry moved to accept the audit. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Select Pre-Solicitation High Profile Briefings

11. NHSD Homeownership Housing & Rental Housing Development [Neighborhood & Housing Services]

Verónica Soto stated that the U.S. Department of Housing and Urban Development (HUD) provided \$7.5 million for homeownership housing and rental housing development. She noted that an affordability period would be imposed and the contracts would include a restrictive covenant to ensure developments served the low-income families intended to receive the benefits of HUD funding.

-Homeownership Housing Development Funding

Ms. Soto stated that the Homeownership Housing Development Funding was provided by HUD and intended for families with household incomes at or below 80% of the Area Median Income (AMI). She noted that the agreement was in the form of a low interest loan to developers and was forgivable over time. She stated that funds could be applied to new construction or rehabilitation for single family homes or multifamily residences up to four units. She noted that construction sites could be single developments or scattered sites. She stated that eligible costs included land acquisition, site preparation, hard and soft construction costs, relocation costs, and architecture and engineering.

Chairman Courage asked if parameters and eligibility were set at the federal level. Ms. Soto replied that they were. Peter Zanoni added that the decision to utilize the funds for construction and rehabilitation was made at the local level.

Ms. Soto stated that the Small Business Economic Development Advocacy Program (SBEDA) and other preference programs did not apply due to federal requirements. She noted that the evaluation criteria placed heavy weight on experience, background, and qualifications to ensure developers had the capacity to deliver the product.

Chairman Courage asked if contractors were required to provide prevailing wages. Ms. Soto replied that they were.

Councilmember Perry asked of the federal government's rationale in disallowing the application of preferences. City Attorney Andy Segovia replied that it was likely to ensure consistency between local, state, and federal contracting processes.

Ms. Soto reviewed outreach efforts, the Evaluation Committee, and the project timeline. She stated that staff intended to release the Request For Applications (RFA) August 28, 2018 to be due September 28th. She noted that the RFA would come before the full City Council for consideration on November 1st with a contract start date of November 2nd.

-Rental Housing Development

Ms. Soto stated that the Rental Housing Development Funding was provided by HUD and intended for families with household incomes at or below 80% of AMI. She noted that the funding would be gap financing provided in the form of a low interest loan. She stated that the funds could be applied to new construction or rehabilitation for single family or multi-family developments. She noted that mixed use was allowed and handicapped accessible units were required by federal law. She stated that eligible costs were the same as for homeownership housing funds. She noted that evaluation criteria and points for rental housing were set by City Ordinance. She stated that SBEDA and other preference programs did not apply due to federal requirements. She noted that the evaluation criteria placed heavy weight on project feasibility and experience, background, and qualifications. She reviewed the Evaluation Committee and stated that the timeline was the same as for homeownership housing development.

Chairman Courage asked of the difference in evaluation criteria for homeownership versus rental housing. Ms. Soto replied that criteria for rentals were more specific due to federal monitoring requirements to ensure renters' AMI eligibility.

Councilmember Perry asked how the \$7.5 million was allocated. Ms. Soto replied that there was \$1.25 million in HOME funds and \$1.75 million in Community Development Block Grant (CDBG) funds for homeownership and \$1.25 in HOME funds and \$3.25 million in CDBG funds for rentals. She added that allocations were made based on recommendations from the Mayor's Housing Policy Task Force and public input. Mr. Zaroni stated that there was a higher percentage of cost-burdened renters than owners in San Antonio and there was a larger gap in supply and demand for multifamily housing than single family housing. Councilmember Perry asked if there was a deadline to utilize HUD funds. Ms. Soto replied that HUD implemented timeliness requirements for utilizing allocations. Councilmember Perry expressed concern that the solicitation timeline did not allow developers adequate time to develop their proposals. Ms. Soto replied that the timeline was consistent with prior projects and staff met regularly with Community Development Organizations to inform them of upcoming solicitations. Ben Gorzell stated that timelines could be adjusted if feedback during the pre-submittal conference indicated that it was necessary.

Chairman Courage asked of penalties if timeliness requirements were not met. Mr. Zaroni replied that federal funds would need to be reimbursed.

Councilmember Treviño expressed support for following the recommended timeline to ensure funding was not jeopardized. He suggested discussion at a future meeting regarding timeline adjustments for future projects. Mr. Zanoni expressed concern that adjusting the timeline would lead to other adjustments that would not allow the City to meet its timeliness requirements.

Councilmember Treviño moved to approve Item 11. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

12. Neighborhood Improvement Bond Development Solicitation: Buena Vista Housing Development [Neighborhood & Housing Services]

Ms. Soto stated that the development site was located at 1409 Buena Vista. She noted that the solicitation was a Request For Proposals (RFP) with an estimated value of \$1.1 million to develop affordable housing within three years. She stated that the proposal would be to construct a rental housing complex that met the requirements of the City Council's Urban Renewal Plan. She noted that voters approved \$20 million for Neighborhood Improvements in the 2017 Bond Program and it would be utilized as gap funding to construct affordable and workforce housing. She stated that the development would be required to offer at least half of the units to families at or below 80% of AMI. She reviewed the solicitation requirements including five points for Small Business Enterprises (SBEs), five points for Minority/Women-Owned Business Enterprises (M/WBE), and SBEDA subcontracting requirements of 25% M/WBE and 5% African-American Business Enterprises (AABE). She reviewed the scoring matrix, outreach efforts, and Evaluation Committee. She stated that the RFP would be released August 24th, be due October 5th, and would come before the full City Council for consideration on November 8th.

Chairman Courage asked if the prepared land would be sold at \$1.1 million. Mr. Zanoni replied that the sale price would be reduced as the land served as gap financing for the developer. Mrs. Sculley added that the revenue from the land sale would be returned to the fund to extend the longevity of the Neighborhood Improvements Program.

Councilmember Treviño moved to accept Item 12. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

13. Downtown Streets: Commerce Street – St. Mary's Street to Santa Rosa Avenue [Transportation & Capital Improvements]

Christie Chapman stated that staff was seeking the Committee's support to issue a Request For Competitive Sealed Proposals (RFCSP). She noted that the Commerce Street Project was funded as part of the 2012 and 2017 Bond Programs. She stated that the contract was valued at \$9.4 million with construction to be completed by March 2020. She outlined the project scope to include lane reduction, sidewalk widening, landscaping, pedestrian lighting, and amenities. She stated that the project would typically be limited to a low-bid contract but staff was concerned that the project scope was too complex and high-impact for low-bid to perform adequately. She recommended a CSP to allow selection of an experienced contractor that could deliver on complexity and coordination. She stated that Texas Local Government Code limited the use of CSPs to vertical projects and horizontal projects with expenditures of \$1.5 million or less but City Council could authorize the use of the CSP if it would provide better value. She noted that staff would request an Ordinance Amendment to allow the use of CSPs on horizontal projects in

excess of \$1.5 million if they met criteria including location along a major corridor; use of multimodal transportation; within a tourist, historic, downtown, or business district; of high impact to stakeholders; on a critical timeline; of complex scope; and within a constrained work area. She stated that TCI had issued CSPs on 17 projects in the previous five years and in ten cases; the winning contractor was also the lowest bidder. She reviewed the solicitation requirements including ten points for SBE, ten points for M/WBE, SBEDA subcontracting goals of 24% for M/WBE and 3% for AABE, and required participation in the Mentorship Program. She described the Evaluation Committee, outreach efforts, and proposed timeline with the Ordinance Amendment proposed for September 6th, RFCSP released September 10th, submittals due October 9th, and consideration by the full City Council in November 2018 for a contract start date in December.

Councilmember Perry expressed concern that the solicitation timeline was too short and requested data on adherence to original timelines and budgets by solicitation type.

Councilmember Perry moved to support the Ordinance Amendment and forward it to the full City Council for consideration. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Select Post-Solicitation High Profile

14. Design Build Services for the Downtown City Office Build (Frost Renovation) [Transportation & Capital Improvements]

Ms. Chapman stated that the project was a two-step design-build solicitation with a Request for Qualifications (RFQ) and RFP. She noted that the project was valued at \$59.5 million with an estimated completion date in February 2021. She stated that the project scope included the renovation of 22 floors with improvements to HVAC, electrical, plumbing, fire protection, abatement, technology, lighting, security, and furniture and equipment. She noted that the building would house 23 City Departments with over 1,400 employees and include five floors for tenant offices with retail space at the street level. She outlined the timeline including the RFQ due date of June 1st, RFP due date of August 1st, and full consideration by the City Council in September 2018. She reviewed the solicitation requirements including SBEDA subcontracting goals of 30% SBE, 25% M/WBE, and 5% AABE. She noted that the solicitation included an optional SBE Joint Venture Program and all respondents chose to participate for up to 20 preference points based on the subcontractor's level of participation at the prime level.

Councilmember Treviño asked if the architectural character of the building's lower level lobby would be preserved. Mrs. Sculley replied that staff could work with the architects to address historic components and incorporate stakeholder input.

Councilmember Perry asked of the SBE Joint Venture Program. Mike Frisbie stated that it would give subcontractors the opportunity to gain experience on a project that they would otherwise be unable to execute as a sole prime contractor.

Councilmember Treviño moved to forward Item 14 to the full City Council for consideration. Citizen Treviño seconded the motion. The motion carried unanimously by those present.

15. Fire Station 54 [Transportation & Capital Improvements]

Mr. Frisbie stated that staff was ready to move forward with the construction award and all due diligence had been performed.

Ms. Chapman stated that consideration by the full City Council was planned for September 6th.

Councilmember Treviño moved to forward Item 15 to the full City Council for consideration. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

Councilmember Treviño excused himself from the meeting at this time. Mr. Barthold requested that Item 18 be addressed.

Audit Plan

18. FY 2019 Proposed Audit Plan

Councilmember Perry moved to accept the Audit Plan. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

Final Internal Audit

16. AU17-C03 Audit of DHS Haven for Hope Contract Administration

Item 16 was not addressed.

17. AU17-C04 Audit of DHS After School Challenge Program

Item 17 was not addressed.

Proposed Budget

19. FY 2019 Proposed Department Budget

Item 19 was not addressed.

ADJOURN

There being no further discussion, Chairman Courage adjourned the meeting at 11:04 am.

ATTEST:

John Courage, Chairman

*Leticia Y. Saenz
Deputy City Clerk*