

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
APRIL 16, 2019 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:	Erik Walsh, <i>City Manager</i> ; Maria Villagómez, <i>Deputy City Manager</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; Colleen Bridger, <i>Interim Assistant City Manager</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; Melanie Keeton, <i>Assistant Finance Director</i> ; Kevin Barthold, <i>City Auditor</i> ; Andy Segovia, <i>City Attorney</i> ; Ed Guzman, <i>Deputy City Attorney</i> ; Laura Cedillo, <i>Assistant City Attorney</i> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Mark Triesch, <i>Assistant City Attorney</i> ; Christina Ramirez, <i>Assistant City Attorney</i> ; Russ Handy, <i>Director of Aviation</i> ; Rene Dominguez, <i>Director, Economic Development Department</i> ; Xavier Urrutia, <i>Director, Parks and Recreation</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Shannon Sims, <i>Assistant Director, Animal Care Services</i> ; Michael Sindon, <i>Assistant Director, Economic Development Department</i> ; Homer Garcia, <i>Assistant Director, Parks and Recreation</i> ; Nefi Garza, <i>Assistant Director, Transportation and Capital Improvements</i> ; Denice F. Trevino, <i>Office of the City Clerk</i>
Others Present:	Warren Schott, <i>Executive Director, SAFPPF</i> ; Ryan Falls, <i>Actuary, GRS</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Approval of the Minutes from the Audit & Accountability Committee Meeting on March 19, 2019

Councilmember Perry moved to approve the minutes of the March 19, 2019 Audit and Accountability Council Committee Meeting. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

CONSENT AGENDA

Pre-Solicitation High Profile Items

2. **Annual Contract for Custodial Services for Parks and Recreation Facilities.** [Colleen M. Bridger, MPH, PhD, Interim Assistant City Manager; Xavier D. Urrutia, Director, Parks & Recreation]
3. **On-Call National Environmental Policy Act (NEPA) Consulting Services for Water, Endangered Species, Noise and Air, Vegetation, Cultural Resources, and Hazardous Materials in Accordance with National Environmental Policy Act (NEPA) and Federal Highway Administration Requirements.** [Peter Zaroni, Deputy City Manager; Razi Hosseini, Interim Director, Transportation & Capital Improvements]
4. **Vacant Lot Abatement Services City Wide.** [Roderick Sanchez, Assistant City Manager; Michael Shannon, Director, Development Services Department]

Post-Solicitation High Profile Items

5. **Annual Contract for Fire Detection & Fire Suppression Systems & Equipment Services for the San Antonio Airport System (Aviation).** [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]

Final Internal Audit Reports

6. **AU18-025 Audit of Economic Development Department Project Quest Contract Administration**
7. **AU18-C04 Audit of Human Resources Department BlueCross BlueShield Contract Compliance**

Citizen Member Treviño moved to accept Items 2 through 7. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

ITEMS FOR INDIVIDUAL CONSIDERATION

Select Pre-Solicitation High Profile Briefings

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

Shannon Sims stated that Animal Care Services (ACS) impounded an average of 30,000 animals per year and has maintained a live release rate of over 90% for the last two Fiscal Years (FYs). He noted that in 2018, ACS Partners rescued 12,405 animals and some of the larger partners included:

- San Antonio Humane Society
- San Antonio Pets Alive!
- Animal Defense League

Mr. Sims stated that the Paul Jolly Center was built in FY 2012 and noted that the City has leased the facility to two operators through a competitive solicitation process since FY 2013. He stated that the current operator was the Animal Defense League whose contract would end on October 31, 2019. He noted that ACS was seeking to lease the Paul Jolly Center for Pet Adoptions to a non-profit organization to operate said Center and the Petco Pavilion. He stated that the selected tenant would be responsible for:

- Operation and management of the facility
- Rescuing 2,500 animals from ACS per year and maintaining a 90% live release rate
- Providing veterinary care for rescued animals
- Providing educational opportunities for the community through the use of the Petco Pavilion

Mr. Sims noted that the solicitation type was a Request for Proposals (RFPs) and the proposed term was three years with one, three-year option. He stated that the current term would expire on October 31, 2019. He noted that outreach was made utilizing two National Institute of Government Purchasing (NIGP) Codes to identify vendors. He stated that six vendors were targeted and reviewed the solicitation requirements. He noted that the potential release date for the solicitation was April 19, 2019 and the due date was May 20, 2019. He stated that the solicitation would be brought before the full City Council on August 8, 2019 for consideration and the contract would begin on November 1, 2019.

Chairman Courage asked if staff had working relationships with the six targeted vendors. Mr. Sims replied that they did in different capacities.

No action was required for Item 8.

Select Post-Solicitation High Profile Briefings

9. Contracted Security Services (Aviation). [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]

Russell Handy stated that the solicitation was for secured area access management and monitoring services at the San Antonio International Airport (SAT). He noted that the security services included the following:

- Monitor and enforce secure areas
- Conduct inspections and escort within the secure area

He stated that services were required to meet Federal Regulations and counter evolving threats such as: 1) Prevent and detect unauthorized access; 2) Prevent any unauthorized weapon, explosive, incendiary or other prohibited items into SAT secured areas; and 3) Enforce security guidelines. He noted that the existing contract would expire in 2019 and the proposed term was for five years. He stated that the estimated value for the

solicitation was \$6.8 million. He reviewed the scores for the two vendors which submitted a Request for Proposal (RFP). He noted that 42 vendors were notified and five vendors were present at the pre-submittal conference. He stated that the results of the minimum requirements review indicated no findings but the results of the due diligence review indicated a prohibited contribution was made by a subcontractor for the firm that staff was not recommending.

Chairman Courage asked if any special qualifications were included which would make all but two firms eligible. Mr. Handy replied that there were no special qualifications included. Chairman Courage asked of the duties of Security Personnel. Mr. Handy stated that Security Personnel enforced Federal Regulations at Airport entry and exits, escorted others, and patrolled the perimeter of the Airport.

Councilmember Perry asked of the difference between the two firms. Mr. Handy stated that the firm recommended was the largest company of its kind in the U.S. and worked at a number of Airports similar to ours. He noted that City Staff has had previous experience working with said company and added that they were attuned to innovation and technology. He stated that the company not recommended by staff was not as engaged at Airports, were lacking in organizational leadership, and one of its Subcontractors was removed from a City of San Antonio Contract due to lack of performance.

Citizen Member Treviño asked why only one vendor received points for local preference. Troy Elliott replied that if they have an office in San Antonio; they receive points for local preference.

Citizen Member Treviño moved to approve and recommend staff's recommendation for contracted security services at the Airport to the full City Council for consideration. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

Staff Briefing

10. Results of the Actuarial Review of Audits of the San Antonio Fire and Police Pension Fund and the Fund's Response to the Review

Troy Elliott stated that State Law (802.1012 Government Code) required an actuarial audit of Public Retirement Systems with total assets of at least \$100 million. He noted that every five years, the actuarial valuations, studies, and reports of a Public Retirement System must be audited by an independent actuary. He stated that the City selected Gabriel Roeder Smith & Company (GRS) to conduct a Type I Actuarial Audit and Segal Consulting was the retained actuary for the San Antonio Fire and Police Pension Fund (SAFPPF). He noted that the actuary submits the final audit report to the governmental entity to post on the agenda for presentation and the governmental entity submits a copy of the final audit report to the SAFPPF and the State Pension Review Board (PRB).

Ryan Falls stated that actuarial audits were very complex and included a peer review of best practices. He noted that the actuarial valuation of SAFPPF of January 1, 2018 was replicated

based on the same assumptions, methods, and census data. He stated that all aspects of actuarial valuation were reviewed for:

- Appropriateness and application of actuarial assumptions and methods
- Determination of actuarial valuation results
- Adherence with Actuarial Standards of Practice and Texas PRB Guidelines

Mr. Falls stated that the actuary noted eight recommendations as part of its review:

1. Discontinue disability incidence rate after 21 years of service
2. Clarify rationale for modifications to base mortality table
3. Monitor inflation assumptions closely to comply with ASOP No. 27
4. Next experience study consider suggested approaches for termination rates and salary increases
5. Align actuary's "recommended contribution" with maximum amortization period of 20 years per board funding policy
6. Update projected compensation to reflect stated assumptions for salary increases to project plan benefits
7. Consider estimate of new entrant loss into calculations of recommended contribution and amortization period
8. Incorporate enhancements noted in Section F to more closely adhere with ASOP Nos. 4 and 41

Mr. Falls noted that Segal Consulting concurred with the recommendations. He stated that based on the review, the actuarial valuation, studies, and reports of SAFPPF were reasonable and:

- Utilized appropriate assumptions
- Adhered to Actuarial Standards of Practice and Texas PRB Pension Funding Guidelines

He noted that Segal Consulting indicated that they would implement several of the recommendations in the SAFPPF's 2019 Actuarial Report.

Chairman Courage asked of similar Actuarial Audits completed in Bexar County. Mr. Falls stated that GRS completed an Actuarial Audit for CPS. Chairman Courage asked of potential underfunding of the pension. Mr. Elliott stated that the SAFPPF was 90% funded. Mr. Falls stated that the SAFPPF was on the path to 100% funding in 10 years.

Councilmember Perry asked of the total funding for the SAFPPF. Warren Schott stated that total funding for the SAFPPF was \$3.2 billion.

No action was required for Item 10.

Chairman Courage recessed the meeting into Executive Session at 10:12 a.m. to discuss matters pursuant to Texas Government Code Section 551.071 (Consultation with Attorney). He reconvened the meeting at 10:33 a.m. and announced that no action was taken during the Executive Session.

Consideration of Items for Future Meetings

Erik Walsh recommended that staff's recommendation regarding the high profile contract process be placed on the May 2019 Agenda.

ADJOURN

There being no further discussion, Chairman Courage adjourned the meeting at 10:33 a.m.

ATTEST:

John Courage, Chairman

*Leticia Y. Saenz
Deputy City Clerk*