



Council Audit and Finance Committee Meeting
Tuesday, June 26, 2007
MINUTES

THE *AUSTIN CITY COUNCIL AUDIT AND FINANCE COMMITTEE* CONVENED ON TUESDAY, JUNE 26, 2007 AT 10:00 A.M. IN THE BOARDS AND COMMISSIONS ROOM, FIRST FLOOR, ROOM 1101, CITY HALL, 301 W. 2nd STREET.

The meeting began at 10:15 a.m. In attendance were Mayor Pro Tem Betty Dunkerley, Council Member Brewster McCracken, Council Member Sheryl Cole, and Council Member Lee Leffingwell.

The following represents the actions taken by the Audit & Finance Committee in the order they occurred during the meeting. While the agenda items were not taken in sequential order, and unless noted otherwise, all agenda items were discussed.

Agenda Item #1: Citizen Communication

No citizen communication.

Agenda Item #2: Approval of April 25 and May 8, 2007 minutes

The minutes were approved on Council Member Leffingwell's motion; Council Member McCracken's second with a 4-0 vote.

Agenda Item #3: Presentation and acceptance of *Hotel Occupancy Tax Collection and Remittance Phase Four* audit report

This is the fourth audit conducted in this series of hotel occupancy tax audits. In this Phase Four audit the City auditors identified 15 hotels to audit. Tax deficiencies identified total \$103,876, not including penalty and interest. Out of the 15 hotels audited, two were identified as fully in compliance with City ordinance and had no tax deficiency. This small compliance rate of 13 percent is similar to earlier phases of this series of audits.

In Phase I the auditors identified improvement areas for internal City processes and \$695,000 in revenue was identified. In Phases II and III 60 hotel field audits were completed and \$772,000 was identified in revenue.

The auditors noted that the value of continuing these audits lies in the additional revenue collected combined with improved overall tax compliance rates for the hotel industry in Austin.

Recommended revisions to the City Hotel Occupancy Tax ordinance made in previous audit reports are under consideration by the Controller's Office. These revisions could help the hotel industry in Austin do a better job of collecting and remitting the hotel occupancy tax.

The audit report was accepted on Council Member Cole's motion; Council Member Leffingwell's second with a 4-0 vote.

Agenda Item #4: Acceptance of the *Austin Energy Deferred Payment Agreements (DPAs)* audit report

In comparison to other municipally owned utilities, the City auditor's found that Austin Energy has a more comprehensive program. This includes adoption of a tighter DPA policy in FY 2006. Since adoption of that policy, the total number of DPA accounts, the number of DPAs issued per account, and the amounts placed in DPAs have decreased. The auditors also found that management is paying increased attention to DPA errors when a DPA is established.

While it is recognized that improvements to the program have been made, the auditors did find some areas where the program could be further strengthened: no written notification is sent to customers after a DPA is set up; both residential and commercial customers share the same policy though their needs are different; inconsistencies in the DPA policy and staff understanding of the DPA policy, and; areas where additional enforcement and routine monitoring may be required.

As a result of the auditors' work, seven recommendations were issued aimed at enhancing DPA policies, system controls, collections efforts, and DPA monitoring. Management agreed with all recommendations.

The audit report was accepted on Council Member Cole's motion; Council Member Leffingwell's second with a 4-0 vote.

Agenda Item #5: Status report on *Austin Clean Water Program*

Gopal Guthikonda, Assistant Director for Engineering Services at Austin Water Utility, presented the purpose and status of the Austin Clean Water Program. The purpose of the Austin Clean Water Program is to minimize sanitary sewer overflows; meet the requirements of the Environmental Protection Agency's (EPA) Administrative Order (AO); minimize negative impact on the environment; improve public health; improve creeks and streams; improve operations and maintenance of the wastewater collection system; and re-invest and rehabilitate our wastewater collection system with a replacement value of over \$3.5 billion to improve water quality, enhance watershed protection, and provide a renewed infrastructure for the new millennium.

The U.S. EPA Region 6 Administrative Order dated April, 1999 required the City to complete 14 action items. These included: minimizing Sanitary Sewer Overflows in the Wastewater Collection System including eliminating and upgrading lift stations; performing drainage basin Inflow and Infiltration (I/I) studies and Sewer System Evaluation Studies (SSES); and collection system improvements including 100 construction projects identified in the I/I and SSES efforts. Eleven of the 14 tasks are completed and the three remaining tasks are on track and ahead of schedule.

A complete handout with graphs and pictures was distributed.

No action necessary.

Agenda Item #7: Briefing of *Pension Fund Earnings Update*

This item was deferred to the next Audit & Finance Committee meeting.

Agenda Item #8: Discuss and approve the *2007 General Obligation Bond Sale Schedule and notice of intent to issue Certificates of Obligation*

Greg Canally, City Budget Officer, and Art Alfaro, City Treasurer, presented the 2007 General Obligation Bond Sale schedule to the Council committee.

On the general obligation side, the City sells three types of debt: public improvement bonds; certificate of obligations; and contractual obligations.

The City Treasurer requested approval from the Council committee to publish notice of intent and noted that the complete bond sale schedule will be on the Council agenda for full Council approval August 30, 2006.

The notice of intent and the bond sale schedule were approved to go to full Council on Council Member McCracken's motion; Council Member Cole's second with a 4-0 vote.

Agenda Item #6: Presentation of the *Office of the City Auditor's Draft FY08 Annual Service Plan*

The City auditors presented the draft FY 2008 Annual Service Plan for the Office of the City Auditor (OCA) and noted that the coordination of the plan's development is in conjunction with the City's FY 2008 Budget schedule. Because the budget submittal process requires planning for audit coverage well in advance, the auditors made allowances for the emergence of new or more significant issues and risks facing the City. With Council members' input and approval, the auditors plan to carry out projects that will allow the OCA to do the following: improve effectiveness of City programs and activities; improve economy and efficiency of the City in managing resources; promote honesty and openness in conduct of City business; assess Information Technology processes and systems across the City; and fulfill special requests from Council or Management.

The auditors anticipate that one or more of these projects will require them to obtain the services of consultants with specialized expertise, to more efficiently identify issues, and select and evaluate evidence.

No action necessary.

The meeting was adjourned at 11:30 a.m.