

Audit and Finance Committee Meeting Transcript – 5/31/2017

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>> Troxclair: Hello and welcome to the -- what is it, may meeting of audit and finance. It is 9:23 and we have a quorum so we're going to go ahead and get started. Thank you for everybody's patience this morning while we organized schedules and round up all of our members. We're going to take up item number 1, approval of the minutes and item number 2, citizens communication, and then we're going to head into executive session for item 8 which hopefully will be a quick item and be back -- right back out for the continuation of the meeting. So is there a motion to approve the minutes? Motion and is there a second? Motion and second. Any comments? All in favor approval of the minutes? The minutes pass unanimously. Item number 2, citizens communication, I do not have the speaker sign-up on my laptop so are there any citizens here wish to go speak to items on the agenda? Okay. Then we will head into executive session right now and hopefully be back here in just a couple minutes. [Executive session]

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>> Troxclair: We'll move on to agenda number 3, proposed changes to board and commission bylaws. I believe we have a presentation by the city clerk's office. >> Good morning. I'm Dina Estrada, office of the city clerk. >> Troxclair: I'm getting introductions -- instructions from the mayor saying we're back from executive session. >> I'm with the office of the city clerk and we have proposed by law changes from the environmental commission today. There are three changes that the environmental commission would like to make to their bylaws that require approval. The first -- and you should each have this spread sheet on your handouts which list all the changes. The first change the commission would recycle to make is to the watershed protection department budget committee. This committee makes recommendations to council regarding the annual budget of the watershed protection department. The commission would like to dissolve this committee and create a working group in its place. The second change is to the water quality regulations committee. The commission would like to merge this committee with an existing -- with the existing urban growth policy committee to create the urban growth policy and water quality committee. The duties are listed in the proposed amendment spread sheet that you all have. The third change it would be the development committee. The commission would like to expand the duties of this committee -- to this existing committee to include codenext and [inaudible] Commissions. Staff recommends all changes. We have the chair of the environmental

commission for any questions you may have. >> Troxclair: Members, any questions on these changes? Is there a motion to approve the changes? Motion is made by

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councilmember pool, seconded by the mayor. All those in favor? Pass it passes unanimously. Thank you. >> Thank you. >> Troxclair: That brings us to item number 4, the audit of fleet preventive maintenance. >> Katie Houston was the manager on this audit and substantial -- and Carl Stevenson and Katie will be presenting. >> The objective was to determine if city vehicles are being serviced according to established maintenance schedules and how costs and services compare to industry practices. The scope of our work for -Z if years '14 through '16 and focused on light duty and nonpublic safety vehicles. These are kind of Normal size cars, trucks, vans, things of that nature. Fleet services is responsible for managing the city's fleet of vehicles and equipment, and common preventive maintenance services include oil changes, state inspections and a multi-point inspection of the entire vehicle every time it's brought to fleet services for work. The city has about 3500 light-duty, nonpublic safety vehicles -- excuse me, 3500 vehicles total and 1500 are light duty, nonpublic safety. We had two findings in this audit and first Williamson creek found city vehicles are brought in when due for preventive maintenance and that maintenance is occurring on time and properly about 80% of the time. We also found that fleet services properly notifies departments when vehicles are

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due for service based on the mileage, forecasts and metrics. But sometimes departments are not always timely in bringing the vehicles to fleet services for work, and some of the reasons cited for that include the departments feel vehicle out of service time is excessive from time to time. There isn't always adequate parking at fleet service centers and sometimes the departments have a difficult time adjusting service delivery to the public to allow them time to take their cars in for service. Secondly, we found that select preventive maintenance services performed by fleet services cost more. And specifically cost to perform an oil change and inspection is two and a half times higher than what a private service provider would charge for a similar service. So shown here is an example of this cost comparison. So if you look at the first item in the chart there, the 2013 Chevy equinox, you can see that the fleet services costs to perform the oil change and multi-point inspection service is about \$92; whereas a private service provider would charge closer to \$58 for the same service for the same vehicle. It's important to note that fleet services' costs for parts and materials are comparable to private service providers. In some case they are a little cheaper actually and the cost differential really relates to higher labor costs. So we looked at this a little further to try to discern where the cost differential comes from and we compared the multi-point inspection function across the different providers. So this is kind of the inspection checklist that they would go through when they are doing the multi-point inspection. Things on this would be like checking tire pressure, belts and hoses, things like that, making sure the wiper blades are working, lights, that kind of thing. We found fleet services is doing a more comprehensive

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review of the vehicle every time they are providing these services. So this is a comparison of those multi-point inspection check lists for fleet services, an average of private service providers, and then for the comparable cities, city of El Paso, city of Dallas and San Antonio. And you can see there that fleet services inspects 37 items. On average private service inspect only 15 items. City of El Paso and Dallas inspect about half the number of items that the city of Austin does at 19 and 18 respectively. And the city of San Antonio inspects only about a third of the number of items that the city of Austin does. And, certainly, the fact the fleet services is doing so much more inspection services is a factor of the higher labor costs. We also had one additional observation in this audit, and it relates to the vehicle out of service time, which is the time that the department doesn't have use of the vehicle because it's in for service at fleet services. And we found that it's very rare that fleet services does just the oil change and multipoint inspection service when they receive the vehicle. In fact, in the vast majority of the cases, they're doing considerably more work. So when they have the vehicle in their possession, maybe they change the brakes or the tires or do other maintenance services. And because of that, that relate -- that results in these vehicles being out of service for a longer period of time, and then they're unable for -- our departments are unable to use those. And our concern there was, there might be cases where customer expectations aren't met, if a department thinks their bringing a vehicle in for an oil change that's only going to take two hours or so, then it takes a day or longer to have these other services done that they weren't aware of. So in light of these findings, we made two recommendations. And the first is to adjust

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preventive maintenance services so we scale back the work we're doing so it's more in line with manufacturer recommendations, more in line with the private service providers, and our peer cities, and to reduce the frequency of the more extensive preventive maintenance services, while still maintaining the health of the vehicle overall. Then secondly, after they have done those first two items, kind of scale back on the number of items inspected and the frequency, to perform a cost/benefit analysis for these light duty, non-public safety vehicles, to determine if it still makes sense to do some of these preventive maintenance services in-house or if it might make more sense to contract with an external party to provide those services. That concludes my presentation, and I'm happy to answer my questions you have. >> Troxclair: Members, any questions? Yeah, I have some questions. So -- I'm trying to understand -- I mean, I hate -- it sounds like there are significant cost savings here. It's costing us two and a half times -- our preventive maintenance is costing us two and a half times basically what it should because we have so many inspection points and vehicles are bought in more often than they need to, and additional services are being done to cars that may or may not be done every time the cars are being brought in. So -- and I hate to wait until September 2019 to try to realize some efficiencies. So how -- I mean I guess this is the plan, this is the proposed plan from management, so maybe it's a question for them. >> Sure. >> Troxclair: Is there -- okay. Is there any staff here? >> I would point out that the implementation date for the

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first recommendation, which is -- I think is the first part of reducing the number of things that are being inspected each time, which would reduce the amount of time and ultimately the cost of those. The date was sooner, was March, I believe, of 2018. >> Troxclair: But I believe that's almost a year from now, so how can -- so what can we do to make sure that the changes -- I mean to me, this is a pretty clear problem with a pretty easy solution, and so is there anything that can be done to make sure we're making the changes as soon as possible? >> I think, first of all, the assumption that there would be a benefit to doing this has not been established. That's why we need to take the time to get the data to compare ourselves to the outside market. So because -- because a -- we're not just doing oil changes and inspections on vehicles. >> Troxclair: Right. >> We're responsible for the vehicle being available to provide city services. So when we get those vehicles in-house, we do the whole gamut. So if we don't do that, we don't take time to do that, you will experience breakdowns and down times that could cost more money in the end because that driver that needs that vehicle to perform that services is still being paid while his vehicle is in the shop and the service is not being provided. So in an effort to -- before we make a drastic change, we'd like to get the data to be able to do a comprehensive cost/benefit analysis to make sure that we're not hurting ourselves on the other end, by just automatically sending the cars to an outside vendor who would just do the oil change, that vehicle leaves the oil change, it may have a brake problem, exposing the city, because that wasn't done,

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because it was brought in -- the oil change is done by the private vendor, and then it's back on the road with possibly bad brakes or other things wrong with it, exposing the city to potential liability, then it has to be down again to bring in the fleet to do the brake job. So then you have a person who has -- who's out of a vehicle twice, and getting the department to bring that vehicle in again may present challenges. I'm just saying I'm not data that this has a cost benefit. >> Troxclair: I think there's two issues, the issues I mentioned when I asked the question, about reducing the inspection points, and only bringing the car in when it's due for service, et cetera, that can all be -- that's a different -- that can all be done in-house still by fleet services. That's a different question -- >> Oh, I see what you're saying. >> Troxclair: Whether or not -- >> We can speed the process up? >> Troxclair: Can you tell me whether the other cities you looked at, San Antonio, Dallas, et cetera, do they do that all within the city, or do they contract with a private salutorian. Private vendor?>> Most do. The one with the most external contractors is the city of El Paso. For certain services, mostly oil change and multipoint inspection, they have an outside vendor that provides that the majority of the time, and then every -- maybe once a year, every three or four oil changes, then the vehicle is brought back to the city of El Paso central fleet department, so periodically the central department still has eyes on the vehicle, but more often than not, for those services, it's done by an external party. >> Troxclair: Okay. >> Sort of a hybrid model. >> Troxclair: Yeah. I can understand why you might need more time to understand whether it's benefit to contract with an external vendor, but there are a lot of things, from the audit, that can be done in-house

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immediately. I mean, do you -- when do you plan on looking at the list of items that are inspected -- >> We're doing that right now. I apologize. I think I misunderstood your question. Yes, we have 6400 units. I know this is the light duty side, but we have 6400 units that we do services on, and we're going through comprehensively each classification and reviewing the inspection list, as well as the manufacturer's recommendation to make sure that our forecaster has the right data in it to forecast when vehicles come due. So we agree with the auditor on that finding that we do need to review the standards that we currently have in place. And as vehicle technology gets better, as we all know, you do less maintenance. It used to be an oil change all the time. Now it's -- it's based on how you drive the car, the technology is so good in these vehicles. So we agree with that finding, that we do need to take that comprehensive review of what we currently have in place and update it in the system so that the forecaster is more accurate on forecasting pm's that are due. >> And when do you anticipate that that review, and hopefully some changes based on that review, would be made? >> And that's -- that was what -- our timeline, we were giving ourselves almost a year to get kind of the tech specs. What we were talking about, you may have an F-150 pickup truck. The 2012 model may be different from the 2016 model, and going in and looking at the manufacturer recommendations and adjusting. So it's kind of executive. We gave ourselves a year. We could probably do it sooner, but once we get that information in the system and updated, then we need a year to go through the pm process because we try to see -- do a pm on every vehicle and piece of equipment in the city every year, at least one. So we need to get through a year of gathering that data and that time to compare ourselves to the outside.

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>> Troxclair: And was there -- was there an estimation made of, I guess, how much money, overall, could be saved if we made changes to -- adhered to the manufacturer's maintenance recommendations? >> It's really tough to make that estimate, and it relates to that additional observation component. Over 90% of the time, when a vehicle comes in for, say, the oil change and multipoint inspection service, that service that's kind of most comparable to a private service provider, over 90% of the time, extra services are done, like changing the brakes or tires or other -- other types of services. And so it's hard to isolate those costs and have credible data to really be able to do a side-by-side comparison between the work that fleet services does and what private providers would do. So we can't really give a high level figure at this point. Like Jennifer said, some of that would be kind of isolating some of those costs and getting better, more reliable data. Then once we have the data, we could do the second part, the cost/benefit analysis, to see if it really would make sense to maintain these services in-house or if we'd want to contract them out. >> Troxclair: Would it be accurate to -- I mean in the audit it says fleet services cost for an oil change and multipoint inspection is about \$113, then a private provider charge is about \$48. If you multiply that difference -- you know, if you multiply that, whatever, \$65, times -- I mean is there a way -- is there a way to extrapolate this to get some kind of range? >> You could get the light duty public safety, that would be a rough figure, one we would probably not feel reliable for a report, and those costs, the chart there is for some of the more common vehicles in the fleet, so that would be a good

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representation of the Ford F-150s and the Chevy equinox, but the Chevys, there's a few of them, certainly hybrid and electric vehicles, you probably wouldn't have those savings, so it would be a rough figure to do it that way. >> Troxclair: Then my last question, and I'll let councilmember pool ask her question, is, I know this audit only looked at non-public safety light duty vehicles, but do you anticipate - I mean if -- I guess my question is why did it only look at non-public safety vehicles, and is it possible that there are similar cost savings if we look at the public safety vehicles as well? >> Sure. So we have done an audit of the public safety vehicles in the past, I think it was in 2013, so we chose not to review those vehicles in this audit because we already had some coverage in a prior year there. And then the focus on the light duty part of our objective was to do an analysis between what the city does and what a private service provider might do, and some of the other vehicles that the city has, like a waste hauler or very large construction equipment, it would not make sense to take that to a private provider. We would want to probably maintain the service of those vehicles with our experts in-house. So that's why we narrowed in on the light duty public safety vehicles. >> Troxclair: And did the public safety audit come up with similar results in 2013? >> I believe the 2013 audit was focused not just on maintenance, but also on repair. And so we looked -- I think one of the things that -- one of the findings in the audit was really more the frequency of breakdowns or the frequency of issues with particular vehicles. And at the time our ambulances was one of the kind of key points, and we had some ambulances that were coming in time and time again for repair services. So it had a little bit of a focus than just preventive maintenance. >> Troxclair: Okay.

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And it was more on ambulances than on police cruisers? >> It was on all. Vehicles, but the ambulances certainly were the -- I guess came in as one of the findings. >> Troxclair: Okay. I guess I was curious, if we've already been through a similar situation with public safety vehicles who have the same findings and if they made changes, maybe that data would be useful to fleet services in addressing the non-public safety vehicles. >> I think in this case, the public safety -- I would say the light duty public safety vehicles -- well, aren't very light duty by comparison, just in terms of the amount of usage that those vehicles get, compared to the vehicles that we are looking at within here. But I would say that the analysis of the checklist items and that kind of thing could apply to the police vehicles just like it applies to the other light duty. >> Troxclair: Thanks. Councilmember pool. >> Pool: So I have a question for our auditor staff. How did you all control for things like human resources costs, salaries, and so forth, and did you find that some of the less complex efforts by a private oil change outfit may be advertised low in order to draw in business, then they find lots of other things that are wrong with your car -- I mean, that's kind of one of the things that they do, then they charge more for those things, so their goal is to get you in the door. That's not our goal. So how did you control for overhead and the salaries? >> Sure. So the first part of the question, we looked at the labor costs and the labor charges as recorded in the fleet system, so that really only factors in the cost of the labor for those vehicles at that time. It does not consider benefits and other compensation elements, so that would certainly be a difference, a cost differential there, too. And then concerning the second

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part of your question, I think that's totally true, that you get the vehicle in for one service, and then maybe they make their money off providing other services, or kind of upselling, let's say. And so, yeah, that would be another reason why we'd want to first do the work in-house on maybe trimming up some of the comprehensive review that we're doing for each vehicle, I was going to say, there's an appendix -- there's two appendixes starting on page 11, where it compares fleet services, checklists item by item, to three different private service providers, then to three peer cities, too. So if you go down that checklist, there might be an opportunity, like parking brake operation, the city of Austin checks that every time. None of the peer cities do very few private providers do. That might be an item we could trim that out. We might do it once a year in the state inspection, but not with every service. We might be able to scale back on those things to gain some cost efficiencies in the short run, then also reducing maybe the more comprehensive services, make it on a less frequent basis, since we know they have the interim services so much more often. You'd really want to start there, well before you would go to the cost comparison or the cost/benefit analysis with the private service provider. You'd really need all that data about how our city of Austin charges work, and then you'd be able to do the comparison and look at the upselling factor and necessitating more than one trip kind of thing that you might face if you were to go to a contracting model. >> Pool: And then there's the scheduling with a private firm versus our in-house shop. >> Uh-huh. >> Pool: Where ostensibly, at least, we would have a priority, where with a priority firm, we may not have a priority. So I guess that's also a cost factor in delays and postponements in scheduling. So if we were -- I don't think we're moving to a place where we

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would be privatizing this effort. At least I would not support that. But if that were to become a conversation that the council would have, I would want to have lost opportunity costs factored in there as well, for scheduling. >> Sure. That would be a factor. I know we looked at the city of El Paso model pretty comprehensively in this audit, that hybrid approach where some of this preventive maintenance is outsourced, then some of it's retained in-house. And they wrote into their contract with the external party, getting some level priority where -- to help account for those scheduling issues that you're bringing up. But, yeah, certainly that would be -- that would be a concern. That would have to be part of the cost/benefit analysis. >> Pool: And then there would be the liability, which I think Jennifer touched on should there be a problem with the vehicle and it was in a wreck or something because the brakes failed, and it was an outsourced maintenance piece that was missed, we would still be entirely liable for that, and we would probably not be -- it would be a struggle, I think, for us to be able to put that off onto the private firm. I don't know. I'm sure that would be included in the discussion in a contract, but that seems pretty tricky to me. >> I'd just like to also add that we're public service, and a lot of times people have a consumer mindset when dealing with preventive maintenance. And understand fleet is like a triage. We have 13,000 potential drivers, all with different habits, different terrains, different service duties for these vehicles. So when they come into our shop -- also, we understand that they have a commitment to provide services to our citizens. So when we get that vehicle in, we try to do the most to it, to make sure that it doesn't fail in service to our citizens. So if we take a little longer to do that, and we pay a living wage that it may not be as competitive with the industry on the outside, that's where you're starting to see the cost

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differential. So we're committed to providing safe, reliable vehicles, and we try to do it environmentally responsible, as well as financially responsible. And it's a game that -- it's constantly moving. Our preventive maintenance checklist, one day, is one way, and then we have to expand it, with the recent issue we had with the carbon monoxide, that's on our checklist to make sure those monitors are working. I don't know that that attention to service and to safety would be available in the private sector. So like I said, we're invested in the life of the vehicle, the safety of the vehicle and service to our citizens. So the model that we have works for that. >> Pool: And I think that's really true, and that piece of accountability also wouldn't -- you really wouldn't be able to quantify that commitment and accountability. >> Uh-huh. >> Pool: Thanks. >> Troxclair: Thanks. And I guess my last comment is, I just want to underscore that there were -- there are two different issues that were highlighted in the audit. One is efficiencies that can be made within the department without going to a private sector. >> Uh-huh. >> Troxclair: So I would -- I think that the city of San Antonio and the city of Dallas also have the same commitment to their citizens, they also have the same interest in having safe vehicles, and they do it at -- you know, with a 13-item checklist and 18-item checklist, whereas ours is 4 have items. So of course we're all committed to safety, we want to make sure that people are in safe cars, but don't -- I just want to -- to the extent possible that the department can focus on the things that were highlighted in the audit, that can be done within the department as quickly as possible, that would be best for everyone involved. >> And we can be more -- like I say, taking a deep had of dive look into updating our

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maintenance intervals and marrying the new technology that's going on in the automotive industry into our forecaster. Because we've lagged. We need to do that periodically to update and put the newer information into the system, and that will likely forecast the -- impact the forecast in the pm schedule. I agree with you, that is what we need to do. >> Troxclair: Thank you. Mayor Adler. >> Mayor Adler: Just a quick question. How did this make it onto the audit schedule? >> I believe it was a topic that came up from several council offices in terms of specifically looking at the light duty maintenance. >> Troxclair: Mayor pro tem tovo. >> Tovo: I have just a couple of quick questions. Thanks for the discussion. I think it makes a lot of sense. I appreciate your conversation about why -- you know, why a check might be most appropriate from the city of Austin. I wonder if there was any data on how the city of Austin's vehicles compare to those cities, those other cities that do a shorter list of checks. I guess as you do your deep dive, I'd be interested in that inspections. >> Well, preventive -- we're all here to make sure vehicles are available, so the component of preventive maintenance is directly relational to fleet availability. So that may be the performance measure that you need to look at. >> Tovo: I see. Instead of safety? Yeah. >> Yeah. To say is your fleet available, or what percentage is that, because those are two that are directly connected, so -- >> Tovo: So safety and availability. >> Availability. >> Tovo: I'd be interested to know -- >> They're down time ratio and their availability. >> Tovo: And I guess the question for our auditor

would be, did you have an opportunity to look at fleet availability with regard to those other peer cities that were quoted in here as doing shorter, less costly

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checks? >> We asked about that. A lot of cities, like the city of Austin, kind of said it's a huge range. There's certain vehicles that you have problems with and they break down, and they have a lot of down time and a lot of out of service time. Other vehicles, not so much. So there's a lot of variety in all the fleets. And we didn't audit the other city data so much. We tried to just kind of get an overall assessment of how this process works for them. But we didn't do a side-by-side comparison. >> Tovo: Okay. Thanks. Because I do think that's relevant to the cost, as we talked about a more thorough -- a more thorough evaluation when the car comes in, certainly could, as you've indicated, lead to less down time for that vehicle. And so that also has to be factored in as a benefit. And I just want to note that this is the second time in a couple weeks where we've talked about cost being a little higher because of the living wage. I just think we need to continue to keep that in mind. Wholly supportive of continuing that policy and we have to expect it will result in higher costs than some other cities and other city services, whether in our golf program or fleet services, but it's still the right thing to do for all the reasons that policy was adopted. And I thought I heard in the briefing but I'm not seeing it in the report, a reference to materials costs. Did I remember that correctly? >> Yeah. We looked at materials cost for peer cities and private service providers, and we found that fleet services -- it's really pretty comparable across the board. But in some cases, the parts and materials the city of Austin fleet has are just mildly cheaper than -- very, very slightly cheaper than we might get with private service providers. >> I believe it's footnote 5 in the report. >> Tovo: Thank you. >> Which might be why it was hard to find. >> Tovo: I guess we have the ability to buy, through the cooperative buying programs and other things, I guess I was expecting it would be a sure

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thing that our materials would be cheaper. So I just wanted to ask why we're not seeing more value on our materials cost, given bulk at which -- you know, the scope of the buying. >> This is our deputy over our procurement process. >> Good morning -- I think I'm on. There we go. I'm deputy fleet officer. I need to make sure I understand your question. We do buy our parts through cooperative contracts, and so those competitively bid. We're getting some of the best pricing because of volume buying. So I'm not sure if that answered your question, so if you would repeat it, I would very much appreciate it. >> Tovo: So that was my assumption, that we would get the best prices out there because of the value buying. So I was a little surprised by the finding in the audit that it's a little bit better than the cost -- the cost

available to the private -- I was wondering why we weren't seeing more -- I would have expected the savings to the city could have been more dramatic than for private industry. >> That could also be a difference in the type of parts. We do buy some original equipment manufacturer parts when warranted, but for the most part, if an after-market part will work, we'll use it. And a lot of times when you're getting your oil changed or maintenance done, they may do certain parts that they pay a little bit more for than we do because we're taking advantage of those cooperative contracts in getting volume discounts. >> Tovo: I don't know if the auditor has anything to add. >> Well, I would also add that the pricing that we quoted was the price that the departments are billed for. >> Tovo: Oh. Not the price -- >> The price the fleet pays I believe was substantially less than that, on there is a greater price differential there. >> Tovo: So fleet marks up the

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price of -- like when you go to your neighborhood garage. >> Well, we mark it up to cover the cost of the parts from people. We're an internal service fund so we have to cover all of our costs. >> Tovo: I see. So that includes the labor charges, the procurement -- >> Yes, people in the shops, in the parts room. >> Tovo: I see. Okay. Thanks. >> Troxclair: The numbers that are under the fleet services inspects more than two times the number of maintenance checklist items compared to peer cities, is that something that the manufacturer recommends, or -- I guess what I'm trying to ask is, does the manufacturer recommend a checklist, or does the manufacturer just say you should bring it in for two oil changes a year? >> Yeah, the manufacturer recommendations have suggestions on how to maintain the vast majority of these items. And the private service providers, their work is closely aligned to manufacturer recommendations. >> Troxclair: So -- and my assumption is that the manufacturer encourages you to get the most comprehensive maintenance possible for the vehicle. So I guess -- I guess I was trying to get back to mayor pro tem tovo's question about does a shorter checklist mean that vehicles are less safe, or less available. And I'm trying to understand if the items that San Antonio -- that San Antonio or Dallas checks, are they below the manufacturer's recommendation, or are they meeting or exceeding the manufacturer's recommendations? >> Yeah. Our assumption would be that they're meeting manufacturer's recommendations so that warranties aren't void, so they would be doing the minimum required by the manufacturer, in their service, in the preventive maintenance services. >> Troxclair: Okay. And on the wage item, do -- I want to make sure that I'm understanding it correctly. So the cost differential does --

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I guess you only -- well, you did compare to other cities, and I don't know if -- whether or not they provided a living wage, but that would only be -- I'm assuming that the living wage piece of it wouldn't make -- wouldn't explain or wouldn't make up for the cost that's two and a half times more than what a regular oil change would charge. I mean, certainly there might be a premium, but we're not paying people two and a half times more what a private entity or what another city is paying; right? So there's something -- I mean there's something else -- there are other factors in there besides a living wage. >> Yes, quite likely. The short answer would be yes. The two and a half times cost differential, that is the difference between the fleet services cost and what we would expect to see were we to be charged for similar services by a private service provider. The peer city analysis, in terms of doing a cost-by-cost comparison, is not reliable and really can't be done. The models are really different. There's some cities that are flat fee only. Their pricing model is very strange. There's other cities that are more in line with what we're doing. And then kind of a lot of variety in between, across the board. The private service provider comparison was kind of the strongest because we were able to look an m5 system, pull up specific vehicle vin number, the miles, look up the exact oil filter that's used on those vehicles when it's done by fleet, look up the exact amount of quarts of oil put in the vehicle, synthetic, blend, whatever, and get kind of the exact service we would have seen in fleet services, and then ask the private service provider, a few different private service providers to give us quotes, given that data. So that's why that comparison is stronger and much more reliable.

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The peer cities, there was too much variation to do a cost comparison. >> Troxclair: Okay. Thanks. Members, any other questions? >> Pool: Do we need a motion to accept? >> Troxclair: Accept the audit? Motion to accept by mayor pro tem tovo, seconded by councilmember pool. All those in favor of accepting the audit? The audit is accepted unanimously. Thank you. >> Item number 5 is the city auditor's integrity unit fiscal year 2017 midyear report. >> Nathan is our chief of investigations and will be presenting. >> Thank you. As Cory said, I'm Nathan wee by, with the integrity unit. I'll be presenting today on the activities of the integrity unit for the first half of fiscal year 17. So as a reminder, the integrity unit investigates allegations of fraud waste and abuse by city officials, employees, and contractors. Of the allegations our office received during this time period, we saw an increase in the proportion received via the hotline. And the hotline is our primary reporting mechanism where people tend to report anonymously. From the comparable period in the prior fiscal year, we saw a decrease in the number of allegations received. However, it seemed pretty comparable with the first half of fiscal year '15. Additionally, the percentage of items received or allegations received that were within our jurisdiction

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decreased from the prior period. One thing to note, however, is that the number of allegations received that were outside of our jurisdiction remained relatively the same. However, the number of fraud, waste, and abuse allegations we received, decreased. So when we get an allegation that's within our jurisdiction, we conduct due diligence to determine if there's any merit to it. Of the eleven investigations that we completed during this time period, eight were substantiated. Four of those substantiated were material violations, and material violations are those matters that we report on publicly to council and through ethics review and commission complaints. Four of those were not material or de minimis violations. So an example of that is, we conducted an investigation where somebody allegedly was stealing time. But what we ultimately found out is that they were charging sick time instead of vacation time. And so in those types of cases, they're better handled by departments, and the city auditor doesn't need to be reporting on that publicly. So on the items we reported on during this time frame, you can see them up on the screen or in the printouts. The main thing I'd like to point out here is that action taken was 100%, in this case. So that's one of our key performance indicators for investigations, is whether or not departments or the city takes action as a result of our investigations that have been substantiated. So thank you so much. I'm happy to take any questions.

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>> Troxclair: Members? Any questions? What's an example of the outside our jurisdiction? Are people -- what are -- that's the vast majority of what you receive in the hotline? What is an example of that? >> Sure. A fair amount of things we receive outside of our jurisdiction are human resources related concerns, personnel type matters. And when we get allegations like that, we refer it to the appropriate party. So a department or human resources. We also receive a number of operational concerns, so an example would be I'm not satisfied with the paper we're using for the fax machine, and we should switch brands, so that's something we would refer on to a different department to handle. >> Troxclair: Okay. >> Tovo: Can I ask a quick question? >> Troxclair: Of course. >> Tovo: Have you actually gotten an integrity complaint based on the fax machine paper? >> It's possible. I was giving you a hypothetical there, but that does fit with some of the similar types of situations we've received. We receive a very wide range of allegations to the hotline. >> Troxclair: And what is the last economic development violation, alleged violation, special privileges pending by the ethics review commission, what was that? >> That one was pending at the time we put this together. This was an employee who allegedly secured a special privilege for herself by falsifying an invoice and getting reimbursement, a former city employee. >> Troxclair: Okay. >> So we did have a ruling from the ethics review commission on that. They didn't reach consensus, and, therefore, they found no violation. >> Troxclair: Okay. Okay. Any other questions? Thank you. >> Thank you.

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>> Troxclair: Yes, we need a motion to accept. Mayor pro tem tovo makes that motion. The mayor seconds. All those in favor? And the audit is accepted unanimously. That brings us to item number 6, proposed amendments to the city auditor's fiscal year 2017 audit plan. >> So each year the council approves the audit plan. It is recommended by the audit and finance committee and approved by the full council. There's a provision within city code both about the approval of the plan, but also in terms of amendments. Specifically, I am supposed to notify and get comments from the audit and finance committee in order to make amendments. So what you have in front of you today is some recommendations to amend the audit plan. There are a couple of cleanup items, projects that we started but would like to take off the plan at this time. The first one is bond spending. That project, we have another project on the plan that's a capital projects delivery audit, so we're proposing, as we did our planning work on that, the risks that we identified seemed to be more in the implementation phase of those projects than in the planning. And so we're proposing picking up more bond projects in our capital project delivery audit that's currently underway, so that would remove the bond spending audit currently on the plan. The other thing is the wildfire preparedness audit. The city has several initiatives currently underway related to wildfire preparedness. So from a timing perspective, we felt it was better to delay our work rather than kind of try to audit realtime as plans are being implemented. So those are two cleanup changes. Then the last thing is, we had a placeholder on the plan. Whenever we approved the plan, we knew we would be

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conducting the affordability inventory project and we expected to identify particular projects related to affordability coming out of that inventory. And so we've -- we have a placeholder on the plan, but we need to put something into that placeholder, particular audit topic. So what you see here, my proposal is given both -- we have the placeholder project, but then we're also asking to remove two other projects from the plan. So with that change, I believe we can make room for two other audits. And so my proposal would be to do the -- an audit of the neighborhood centers, and you should have a handout in front of you that has a little more detail on what that would entail. But the concept would be to look at the -- whether or not those centers are achieving the outcomes that they're intended to achieve efficiently and effectively. The second one is related to match savings, so the city has a matching -- matching fund program for savings accounts that are specifically designated for things like higher education, small business development, or home purchases, and so in that match savings program, we would take a look at, are those funds being safeguarded and are we maximizing the number of people who can take advantage of that program, or who can leverage, I guess, participate in that program. So those are the two that I'm proposing, but certainly several other topics have come up, both in terms of coming out of the affordability inventory, but also some other ideas as we've been talking about this

with council offices. So some other ideas are listed here, looking at the down payment assistance program, the city home repair programs, tenant based rental assistance program. There are also been some requests related to cultural arts, grants, either the reporting of outcomes related to those grants, or the monitoring of those grants. And then, lastly, management

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specific to personnel vacancies and how the city manages those. Those are kind of also topics -- I would say that none of these would be -- nothing that we start now would be completed by the end of this fiscal year but it would be a carry-over project to the next fiscal year as we always have some carry-over projects. So today, I guess what I'm asking for is a recommendation, one, approval of the projects previously mentioned, to basically move bond spending and wildfire preparedness off this plan, but then also to approve one or two audits to take the place of that placeholder. >> Troxclair: Thank you. The match savings program audit, I don't see it -- am I missing it on the sheet? >> It's the third from the bottom, I believe. >> Troxclair: The third from the bottom. Okay. Yes. Okay. And do -- are these being recommended -- I guess -- help me understand why we need -- there was a placeholder for affordability outcomes. >> Right. So when we approve the plan, we expected to identify a topic, but it hadn't -- we hadn't completed the inventory work, so we hadn't identified the topic. So that's why there's a placeholder. >> Troxclair: So are these intended to be directly related to affordability, or we're kind of saying we were -- I'm concerned if we're just removing, I guess, something that has to do with affordability out of the audit plan. >> No, I think -- I mean the intent and the placeholder, all I'm really trying to do is put a topic in where what we currently have is just a placeholder, to say one of these topics. So the list that you have is coming out of the inventory project, there are probably -- beyond the inventory, there are other affordability-related audits that could take the place of that placeholder, certainly. >> Troxclair: Okay. And are those specifically -- I guess I'm not understanding if those

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are specifically related to affordability more than the other audits on the list? >> You know, I think the audits, when we're looking at homelessness assistance and workforce developments, there are certainly, I think, many things that we're doing related to affordability, it was just this one was tied to the work that we've completed earlier in the year. >> Troxclair: Okay. Councilmember pool. >> Pool: Thanks. When you were talking about the matched savings program audit, and you listed the various things that would be looked at in there, did you mention down payment assistance, too? And if so, could we take the one that's the third on the potential audit topic list and add it to the matched savings program and just increase that scope a wee bit? >> I think we could look at both of those in one project,

certainly. My understanding is that they're fairly small, just in terms of the number of people helped to date, and so that's something that we could probably look at. >> Pool: And then the other suggested audit topics where you have five -- well, I guess the down payment assistance program, that one is -- now we're potentially matching that with the matched savings program, so city home repairs, rental, cultural arts and personal vacancy management, seems like two of them -- let's see, two of them are on the affordability audit topics. Okay. So there's home repairs and tenant based, so there are two that are not related to affordability. Do we have room to do the additional home repair and tenant-based rental assistance? If we did that, then we would save cultural arts and vacancy management for next year? >> I think I would say if we do the neighborhood centers audit, then we probably don't have room for those others. If we could do all of those others, and not the neighborhood centers. >> Pool: Okay. >> I think one of the

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things -- and I meant to say this kind of proactively, but all of these topics will be in our starting list for the fiscal year '18 plan. So in addition to the five you see there and the other suggested topics, those would all be in the discussions for the fiscal year '18 plan, as would some of the other ones on the affordability audit list that aren't on the slide. For example, the small business loans and training programs is something that I would include on the fiscal year '18 plan starting list, basically. That process gears up in June and July to identify projects for next fiscal year. >> Pool: I'd be happy to make a motion, if necessary -- I mean it could be that y'all have some more questions -- to replace the affordability outcomes audit placeholder with the neighborhood centers audit and the matched savings program audit, and ask our auditor staff to see if the down payment assistance program audit could also be included in the matched savings program audit. >> Certainly. >> Troxclair: Okay. There is a motion made by councilmember pool and seconded by the mayor. Are these -- sorry. >> Pool: That's okay. So replace the placeholder with neighborhood centers audit and matched savings program, and then see if we can include the down payment assistance -- >> Troxclair: And is it -- these are your recommendations because -- I mean you -- you feel like the two that you've identified are the more -- are the most pressing issues of that list. >> Yes. And in terms of, I think, the band width of our office, between now and the end of the fiscal year, I think -- my concern with some of the other larger

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topics is that even the home repair programs, that's a multidepartment effort, so it would be a larger audit. So I feel like we could take on one larger audit, I think neighborhood centers is the one we should take on. >> Troxclair: Okay. >> Then the oh, I was trying to identify something kind of smaller that we

could work in. >> Troxclair: Okay. Well, unless there's any other questions, mayor -- >> Mayor Adler: Just on the neighborhood audit, I think it's going to be a really useful audit. I think the question that many in the community are asking is whether those centers are being underutilized. And whether they're serving the most -- the purpose that can maximize them. So while you're also looking at the things that they were designed to do or intended to do, and how are they doing those, there may be parts of those conversations that lead naturally into, if they weren't doing this, what else could they be doing. Could we have innovation centers on the east side of town, things that might it need. So I would ask as you're doing that audit, we're not asking you to say what they -- to build an audit around what else could they be capturing, that information, those conversations, and bring that back to us as well. >> Pool: I have an additional question. >> Troxclair: Councilmember pool. >> Pool: And then what the mayor said made me think about also finding out how accessible are the public health centers to get to, assuming public transportation, and so are they located in the best parts of the city? Would there be more -- would they have more people using them if they were maybe further east, for example, or south or north or something related to where they are physically located.

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Thanks. >> Troxclair: Have all of the -- so the sounds like a good plan to me, moving forward. I'm wondering if members -- all the councilmembers have used -- I think each office gets -- is able to request some kind of small project under 200 hours, how those have been utilized this year, and if they're -- if they haven't been utilized, whether there would be capacity to maybe include another item from your list. >> So it's not technically every -- every office, it's kind of a first come/first serve basis, but we do try to set aside time for about five 6 those special request projects. I believe we've done two this year this fiscal year, or we've completed one and we have one underway. I think there may be a request coming in for one more of those. So I'd say three out of five. So there may be some hours there. Like I said, because these projects are likely to be carry-over, we can always start something. It's really based on kind of in our office, when I have a lead available to start, to get a project underway. We probably would not be able to finish it within the fiscal year, so it would be something that comes in early next year. >> Troxclair: Great. Thank you. All those in favor of replacing the affordability audit with the two audits as outlined by councilmember pool, please raise your hand. All right. That passes unanimously. The next item on our agenda, item number 7, acceptance of the 2017 follow-up audit which verified the implementation of selected recommendations issued in fy2012 through fy2016. >> Passed the long title test there. This item is because at the last meeting, we did not have quorum at the time that we needed acceptance on

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that. >> Troxclair: Okay. There's a motion to approve and the mayor seconds. All those in favor of accepting this work, please raise your hand. All right. Passes unanimously. It's accepted unanimously. We've already taken up item number 8 in executive session, so, members, do we have any future items to discuss? Great. Great. Well then we are wrapping up our meeting at 10:52, and we appreciate everybody's work and support. Thanks. >> Thank you.