

# Audit and Finance Committee Meeting Transcript – 08/19/2020

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[9:34:35 AM]

>>Alter: Audit and Finance Committee it's 9:34 AM and we are going to convene this morning. Joined by my colleagues on the Committee. Council Members: Tovo, Flannigan and Pool. I do not yet see the Mayor and we may also be joined a little bit later by one or more of our colleagues but I do not see them on at this now. I understand we do not have any Citizens Communications this morning. So will move into the agenda. I am going to take up items in the following order which is a little bit mixed up from the agenda. I do apologize for that. We are then going to take up the Minutes from the three meetings first. Then were going to move to what's on the agenda Item: 5 The lobbyist presentation so can the City Attorney's Office can move on with their day.

[9:35:45 AM]

And then we are going to take up the Cultural Centers overview Item: 2 Then the Millennium Youth Center as Item: 4 and Mexic-Arte Contracting Item: 3 will be our last item. And for each of those you will hear the presentation and take questions in order for that. So I wanted to note for the minutes before obtain a motion that we have updated the language for June 3rd so now it reads that the motion to support staff

[9:36:35 AM]

PRELIMINARY PLAN TO ADDRESS PENSION LIABILITIES WAS MADE, COUNCIL MEMBER POOL'S MOTION, FLANNIGAN SECONDED, A 5-0 VOTE. I'D LIKE TO ENTERTAIN A MOTION TO APPROVE THE MINUTES. COUNCIL MEMBER POOL MOVES TO APPROVE THE MINUTES. SECONDED BY COUNCIL MEMBER FLANNIGAN. ANYONE OBJECTING? HEARING NONE, THOSE MINUTES ARE APPROVED. THAT WAS NOT AN OBJECTION, RIGHT, COUNCIL MEMBER TOVO? THAT WAS -- >> Tovo: THAT WAS VOTING. >> Alter: VOTING IN FAVOR. OKAY. THANK YOU. SO I'M NOW GOING TO MOVE TO WHAT IS ITEM 5 ON OUR AGENDA. IF THE CITY ATTORNEY'S OFFICE WOULD LIKE TO SHARE WITH US THE ANNUAL REPORT REGARDING ENFORCEMENT OF LOBBYIST REGULATIONS. >> THIS IS LYNN CARTER WITH THE CITY ATTORNEY'S OFFICE TO REPORT -- GIVE YOU THE ANNUAL REPORT ON THE LOBBYING REGULATIONS.

[9:37:32 AM]

I PROVIDED NOT -- IT'S NOT REALLY CRUCIAL, BUT I PROVIDED SOME BACKUP DOCUMENT, I DON'T KNOW, CTM CAN PUT THAT UP -- >> HI. THIS IS CTM. YOU'RE LOOKING FOR A PDF? >> YES. >> OKAY. COMING UP. >> Alter: AND WHILE WE'RE WAITING FOR THAT, I JUST WANT TO ACKNOWLEDGE THAT MAYOR ADLER HAS JOINED. GOOD MORNING, STEVE. >> SO THIS REPORT DATED AUGUST 17 OF 2020 IS FOR THE LAST TWO QUARTERS. BECAUSE OF THE PANDEMIC, THE DEADLINE FOR LOBBYISTS TO FILE FOR THE FIRST QUARTER OF 2020 WAS EXTENDED TO MAY 30th OF 2020. SO MAINLY OVER THE PAST YEAR, LOBBYISTS APPEAR TO HAVE BEEN COMPLIANT WITH THEIR FILINGS, YOU KNOW, FROM WHAT WE CAN TELL. THE TOTAL REGISTERING BE HAS NOT CHANGED MUCH FROM 101 TO 110 OVER THE PAST YEAR. WE'VE HAD BUSINESS ENTITY RANGE 14 TO 17, SO THAT'S BEEN FAIRLY CONSISTENT. THE MOST RECENT QUARTERLY REPORT

[9:38:32 AM]

THAT WAS DUE JULY 10th, WE HAD EIGHT LOBBYISTS THAT DID NOT FILE TIMELY, AND I'M NOT SURE WHY IT IS, OTHER THAN THEY ASSUMED SINCE THEY FILED MAY 30th, MAYBE THERE WAS ANOTHER EXTENDED DEADLINE. BUT ALL FILED BY JUNE 2nd, SO AS SOON AS THEY -- SHORTLY AFTER THEY WERE NOTIFIED, THEY PROMPTLY FILED THEIR REPORTS. ANNUAL REGISTRATION FEES, ONCE THE CITY ATTORNEY'S OFFICE GETS ELECTRONIC FILING ON TIME, THIS -- ANY ISSUE WITH LATE PAYMENT OF ANNUAL REGISTRATION FEES SHOULD BE RESOLVED BECAUSE LOBBYISTS WILL NOT BE ABLE TO FILE A REPORT WITHOUT PAYING ALL FEES DUE. BUT UNDER THE SYSTEM THAT WE CURRENTLY HAVE, THE CITY CLERK'S OFFICE ALLOWS LOBBYISTS TO PAY THE REGISTRATION FEE, FOR EXAMPLE, IF IT'S DUE IN JANUARY, AS LONG AS THEY PAID IT BY MAY 30th WHEN THEIR REPORT WAS DUE, THEN THAT'S ACCEPTABLE. SO WE HAD ONE LOBBYIST THAT HAD NOT PAID REGISTRATION FEES AS OF JANUARY. THAT LOBBYIST IS WITH AN EMPLOYER.

[9:39:35 AM]

AND I LEARNED ON FRIDAY AFTER SENDING A NOTICE THAT BOUNCED BACK BY EMAIL, CONTACTED THAT LOBBYIST BY LINKED IN, HE SAID HE'S NO LONGER EMPLOYED WITH THAT EMPLOYER BUT ASSURED THAT THAT EMPLOYER PAID THE REGISTRATION FEE, SO WE'LL CONTINUE TO FOLLOW UP ON THAT. WE ALSO HAD ONE LOBBYIST THAT [INDISCERNIBLE] LEARNED AND DISCOVERED IN EARLY AUGUST THAT HE HAD NOT BEEN REPORTING CLIENT COMPENSATION. HE -- THE WAY HE FILLED IT OUT WAS, I DECLINE, REFUSE TO REPORT, MY COMPENSATION IS BELOW THE REQUIRED THRESHOLD. AND THE WAY THE FORM APPEARS, IF YOU DON'T CLICK ON THE CATEGORIES, IT -- IT SAYS IF YOUR COMPENSATION IS 500,000 OR ABOVE, YOU HAVE TO DISCLOSE THE EXACT AMOUNT. SO I ASSUME THE EXPLANATION IS THAT THERE WAS CONFUSION OVER THAT, BUT THERE WAS A PROMPT REPLY TO MY LETTER THAT THE AMENDED REPORTS WOULD BE FILED. THOSE WERE FILED YESTERDAY.

[9:40:32 AM]

SO I'M ASSUMING THAT CLIENT COMPENSATION WAS THEN REPORTED. BUT IT'S NOT POSTED YET. I JUST CHECKED BEFORE THIS MEETING. SO HOPEFULLY THAT ISSUE IS CORRECTED. BUT THE CITY ATTORNEY'S OFFICE WILL FOLLOW UP WITH THE AUDIT AND FINANCE COMMITTEE IF THAT HAS NOT BEEN CORRECTED WITH THOSE THREE NEW QUARTERLY REPORT FILINGS. SO, IF THERE -- LATE FEES, THERE ARE NO OUTSTANDING LATE FEES AT THIS TIME. THAT IS PRETTY MUCH IT FOR THE ANNUAL REPORT. IF THERE ARE ANY QUESTIONS, I'M HAPPY TO ANSWER QUESTIONS. >> Alter: THANK YOU, MS. CARTER. DOES ANYONE HAVE ANY QUESTIONS? SEEING AS THERE ARE NO QUESTIONS, THANK YOU, MS. CARTER, FOR THAT BRIEFING. WE DO NOT NEED TO TAKE ANY ACTION ON THAT ITEM, IS MY UNDERSTANDING. IT'S JUST WE NEED TO HEAR THAT ON AN ANNUAL BASIS, SO THANK YOU VERY MUCH, MS. CARTER. COUNCIL MEMBER POOL. >> Pool: THANKS, CHAIR.

[9:41:35 AM]

I JUST GOT A NOTE THAT IT DOESN'T SEEM THAT OUR MEETING IS COMING OUT OVER ATXN. BUT MAYBE SOMEONE IN CTM CAN CHECK THAT OUT FOR US. OUR AV GUYS. >> I'M HAPPY TO LOOK INTO THAT. I THINK I NEED ONE MINUTE. >> Pool: OKAY. >> Alter: THANK YOU, COUNCIL MEMBER POOL. >> Pool: YEAH, YOU BET. >> Alter: I THINK IT'S ON ATXN 2? IS THAT POSSIBLE? >> YES, MA'AM. I JUST GOT CONFIRMATION WE'RE ON ATXN 2. SO THIS IS ON BROADCAST ATXN 2. >> Pool: I WILL PASS THAT CHANNEL INFO BACK OUT. THANKS. >> Alter: GREAT. WELL, THEN I THINK WE'RE GOING TO MOVE ON TO THE CULTURAL CENTERS. BEFORE WE GET STARTED AND YOU GO ABOUT THE CULTURAL CENTERS MILLENNIUM USE AND MEXIC-ARTE, I JUST WANTED TO REMIND FOLKS THAT THESE AUDIT REPORTS FOLLOWED A COUNCIL RESOLUTION

[9:42:35 AM]

PUT FORWARD BY MAYOR PRO TEM GARZA AND OTHER COLLEAGUES, AND PASSED UNANIMOUSLY BY THE COUNCIL, SO THAT, YOU KNOW, AS WE THINK ABOUT THE ISSUES BEFORE US TODAY, THAT WE ACKNOWLEDGE THAT COUNCIL THAT THERE WERE CHALLENGES AND THE AUDITOR TO TAKE A DEEP

[9:43:33 AM]

dive into what was going on at these centers, so that we would have a stronger base from which we could make changes, or make adjustments. So council had already identified a need for change, wanted more details to base our future direction on. So as we take in the information today, I would just encourage us to use this as an opportunity for a reset, which I think was the intention underlying the resolution and asking the auditor to move forward with the work, and use this information constructively to improve the function of these various centers. So with that, I would invite the auditor to begin with item number 2, the cultural centers overview, please. >> Okay. So as councilmember alter, chair

[9:44:35 AM]

alter mentioned, last year you requested through resolution that we look at various city cultural centers to determine if they're operating effectively and serving the community as intended. We reviewed six facilities for this work. And our team is going to go through those in more detail. But these include the four cultural centers that are owned and managed by the city. Those are three managed by pard -- sorry, I thought I had that piece of paper on top. The asian-american resource center, the American culture center at the George Washington carver center. The African-American cultural and heritage facility. Those are all city owned and operated. The last one I mentioned is actually operated by EdD, the economic development department. Then we also included two based on the resolution that are -- have kind of a more complex

[9:45:37 AM]

structure, so the millennium youth entertainment complex, and mexa carte museum. It's owned and managed by a nonprofit. And the entertainment complex is owned by the city but managed by an agreement, and goes through a corporation that then contracts out operations. We're going to talk more about all of that but I just wanted you to know about the scope of work we're talking about today. The resolution asked 17 questions about all of these centers. Plus the way that our findings fell out, we've organized our work into three reports and that's why we have three items before you today. So I

think neha is on the call, at least audio, she managed all of this work. Henry is here for sure, I can see him. He was overall lead. And Tyler Meyers was the co-lead on all of these projects, and he

[9:46:39 AM]

will present the first audit which is the city cultural center audit. So I think ctm, you had it up earlier, but if you could pull up that presentation and Tyler Meyers will kick us off. >> Great. It looks like we're ready to go. As Corey mentioned, my name is Tyler Meyers, and I was one of the auditors in charge for the city cultural center's audit. Next slide, please. This report covers the four city cultural centers. Three of these centers are managed by the parks and recreation department. They are the asian-american resource center, the Emma mex an American cultural center and the George Washington carver center. The African-American facility is managed by the economic development department. Next slide, please. City council requested this audit through our resolution in 2019. This resolution includes

[9:47:39 AM]

questions which are required to review city practices, in a number of areas. We then organized these areas into different objectives. Our work focused on collecting information about city practices in order to answer the questions in the resolution. In addition we serve members of the Austin community, seek their opinions on areas included in this audit. We also reviewed governance structures of cultural centers in peer cities. As we covered various object I was in this audit, we have more findings than you generally see in ore audits. We found inefficient operations threatened the city's ability to further cultural opportunities. Our work resulted in ten findings. In this presentation we'll highlight these critical issues along with the recommendations intended to address them. Next slide, please. Our first finding notes issues with strategic planning. This finding highlights that the

[9:48:41 AM]

2018 bond funding was allocated without key documents in place for most cultural centers. Next slide, please. This table shows the amount of bond funding recommended by the bond task force, alongside the allocated amounts. Further, it notes that the mexican-american cultural center was the only center with an updated facility plan when funding was recommended and allocated. The asian-american resource center and the carver museum did not have updated plans at this time. By not ensuring facilities have updated plans, current and future space needs cannot be streenlly considered when allocating bond funds. Our recommendation is that the pard director should ensure the facilities have updated plans, and the EdD director have a process for the heritage facility, that includes facility needs. Next slide, please. Finding 2, highlights issues, we

[9:49:41 AM]

noted regarding facility maintenance. During our review we found pard already found some compliance issues, but these items were not addressed. The primary reason for not addressing these issues was due to inadequate staffing and a lack of funding. Next slide, please. This table shows the identified number and estimated cost of both accessibility and maintenance items. At the time of this audit, pard did not have a timeline to address these identified issues. Not addressing maintenance issues may lead the community to believe the city does not care about maintaining its facilities as well as posing accessibility issues at certain facilities. Other recommendation is for the pard director to work with the city manager and budget office to identify and prioritize necessary funding for cultural centers. Next slide, please. Finding 3, covers issues we noted concerning space use at the various centers.

[9:50:41 AM]

There are many types of spaces available at each center and we found that centers are not fully utilizing all these spaces effectively. Next slide, please. We found that the community is limited from using some of these spaces due to several constraints. First, some spaces were not listed on center websites as usable or rentable. This may have prevented community members from using all available spaces at some centers. Second, certain adjacent rooms cannot be used at the same time due to spillover noise. Other potential community spaces were converted to office and storage space and are no longer able to be used by the community. Third, we found that centers may not have effective way to track facility use. This limits the abilities of centers to report on and make decisions according to usage trends. Lastly, facility operating hours may not be aligned with the community needs.

[9:51:42 AM]

For instance, 88% of usage during fiscal year 19 at the heritage facility occurred outside normal operating hours. Our recommendation was for both the pard and EdD directors to ensure use of facility space is optimized. Next slide, please. Finding 4 highlights potential barriers related to accessibility. Can we go to the next slide, please? Finding 4 highlights potential barriers related to accessibility, with accessibility meaning both the ability to navigate to the center and to participate in programs. In our survey we asked about two types of barriers that exist for some community members. The affordability, including rental fees and program fees, and transportation options. Including transit and parking availability. Next slide, please.

[9:52:43 AM]

While most members believe some fees are affordable, the survey results show the community considered rental fees to be the least affordable. For transit options, most community members were generally satisfied with the carver museum and the heritage facility. Some expressed concerns about accessing the asian-american resource center, and the mexican-american cultural center. During this audit, we learned that the city is already working on addressing some of these concerns. We have recommended that the pard director should work with stakeholders to resolve these barriers at cultural centers. Next slide, please. Finding 5 covers issues related to program planning at cultural centers. We found that while offered programs at all centers aligning with each center's mission, ineffective management of this process negatively impacts the accuracy and reliability of information used in

[9:53:43 AM]

decision-making, and may duplicate work. Next slide, please. We noted that the program planning process was not consistently followed. For instance, they've not consistently engaged with the community in the planning process and at least one-third of the community members believe that programming is planned without their input. Also, the program planning process used by staff in effect creates a duplicate work flow. Further, pard's oversight of this process did not ensure documents used for decision-making and budgeting were completed. We recommend that pard ensure the program planning process is both effectively and efficiently managed. EdD said they plan to incorporate program planning needs into the strategic plan process mentioned in finding 1. Next slide, please.

[9:54:44 AM]

Finding 6 covers performance measurement issues for the cultural centers. We found that these key measures associated with cultural centers lacked goals or targets. We also found that some performance measures were based on small survey sizes, while other contained inaccurate information. All of these issues together reduce pard's ability that the services are successful. Next slide, please. For instance, pard tracks and reports four stated performance measures for cultural centers, however, pard has not established targets for these performance measures at each cultural center. We also found calculations in the spreadsheets that have resulted in publishing inaccurate data. Without having targets and ensuring performance measures are accurate, pard cannot tell whether cultural centers are meeting their goals. For EdD we noticed departments

[9:55:48 AM]

have not made the performance at the centers. They need to ensure reliable information is used in decision making. EdD we recommended that the director establish both measures and targets for the heritage center. Next slide, please. Finding 7 summarizes issues with fee assessments at the cultural centers. We found that centers did not consistently charge fees as outlined in the fee schedule, as well as having inconsistent practices across the various centers. These issues led to uncollected revenue at each center. Next slide, please. Our analysis of fees charged at centers in fiscal year 2019 showed undercharges of at least \$20,000 at parks and recreation centers, and at least \$130,000 at the heritage facility. Reasons for charging -- undercharging was inconsistently

[9:56:50 AM]

lowering fees based on direction from their management, and staff sometimes charged outdated fees at a rate approved by council in prior years. For the heritage facility and EdD, the staff was allowing the use of the space without charging any users. Despite the fee schedule outlining rental fees. We recommended that the pard director take steps to ensure fees are charged correctly, and consistently, and that the EdD director follow the city's established process for waiting fees. Next slide, please. Finding 8 discusses issues concerning the parks and recreation department's administration of its rec track software. Cultural center staff uses it to register users for programs, reserve space for rentals and process certain types of payments. We found multiple areas in which pard can improve security of the

[9:57:52 AM]

system and prevent unauthorized use. Next slide, please. We found that out of the five recommended I.T. Security procedures, pard had not implemented for these procedures. For instance, the system did not require strong passwords, and did not ensure that roles and privileges within the system aligned with job duties. These issues may expose the rec track system to unauthorized access. Since this application contains important business records for each center, we recommended that the pard director increase security for the rec track. Next slide, please. Finding 9 is related to staff training. We noted that some cultural center staff did not receive customer service and cultural sensitivity training. The lack of fully trained staff in these areas may reduce staff's ability to create positive relationships with the community. Next slide, please.

[9:58:54 AM]

Specifically, we noted that only a few members of the temporary staff at cultural centers received recommended training. When reviewing the community survey, there appear to have been some negative interactions between the community and staff at cultural centers. In addition to the community survey, we also conducted a staff survey. We heard from staff members that the customer



service training they received was useful. Staff at the heritage facility do not receive customer service and cultural sensitive training. We recommended both the pard and EdD directors ensure all staff receive training to better serve the community. Next slide, please. The results of the work are presented in finding 10. We found that most city-owned centers are run by nonprofits, and that most cities have a department level arts and cultural agency.

[9:59:54 AM]

Next slide, please. For our comparison, we used four basic models of governance of cultural centers that are based on the ownership and operation of the facility. Each model has its advantages and disadvantages. Our review surveyed seven cities that contained 22 similar cultural centers. Out of these 22 cultural centers, 16, or about 73%, are run by nonprofits. Six, or about 27% are government run. And none were fee for service. As mentioned earlier, all four of the cultural centers are run by the city of Austin, and would be considered government run. Next slide, please. We also looked at who oversees these cultural centers in the city administration. Here city staff informed us six of the seven cities have a department level arts and culture agency.

[10:00:55 AM]

As discussed earlier, three centers in Austin are run by the museum and cultural programs division within pard and the heritage facility is run by the cultural arts division in EdD. We recommended that the city manager assess the existing governance structure, and determine whether governance structure change is needed. Next slide, please. Management from pard, EdD and city management agreed with our recommendations. This concludes our presentation on the city cultural center's audit and we're happy to take questions at this time. >> Alter: Thank you. I'm going to invite staff from pard and then from EdD to respond before we take some questions. Miss mcneilley, would you like to get started first?

[10:01:56 AM]

I just want to note that it looks like if you're on atxn 2, I believe we're currently on atxn 1 and 2. But 2 may be switching over to an aph media availability. I don't have that confirmed. So if you are on atxn and want to stay with us, you may need to switch to atxn 1. >> And chair? >> Alter: Yes? >> I think we're now also broadcasting on channel 6. I think that's been restored. >> Alter: Thank you. Miss mcneilley, go ahead. >> On behalf of the parks and recreation department, we agree with the recommends, and in some cases, there are things that are already under way to address the challenges that were noted in the audit report. And in order for us to answer some specific questions regarding cultural centers, when it is the appropriate time, I would ask that we move assistant

[10:02:58 AM]

director Massey from attendee to participant, when the councilmembers on the audit and finance committee would like to address certain, or specific questions. So thank you. >> Alter: Thank you, miss Mcneeley >> The economic development department also agrees with the recommendations, and we're in the process of moving forward to address all the issues. >> Alter: Thank you >> I'd be happy to answer any specific questions. >> Alter: I'm going to open it up for questions, but I just want to reiterate what I said earlier because of the atxn switches. I think it's really important to note that the series of audits that we're hearing today followed from a council resolution where we acknowledged that there were, as a need for changes, we're seeking more data and more information so that we can improve services, and

[10:04:00 AM]

oversight in these particular centers. And I hope that what we're hearing today, and what we're learning, will allow us to have an appropriate reset and make those improvements together, informed by this additional information that the auditor's office has brought in response to that resolution. So colleagues, councilmember pool, if you would like to go first. >> Pool: I just want to toss this out to both director mcneily and director rob. If the two of you, since there's a separation of responsibility among the facilities, I'd like you all to collaborate in your assessments of the different facilities under your control. And prepare some kind of a response on what recommendations you have to reduce the separation -- the recommendation that the audit has given to have one entity to have the oversight

[10:05:00 AM]

so we can reduce the lack of standardization throughout. So if you two -- I'm sure you were planning to collaborate anyway, I just wanted to ask if that was the case. >> Yes. Councilmember pool, we've already had one meeting, and we plan to continue dialogue, to seek direction from management on the best path forward. >> All right. Thanks. And director mcneily? >> I concur. And we're happy to work with EdD, and also to seek advice and direction from our city management. And we're happy to do that. Like she said, we've already met once, and we're happy to meet more times to be more coordinated in our delivery. >> Pool: I think it's a good time to refresh our operating agreements with the various entities. But as we know, systems over time can ekreet and sort of erode a little bit. You think you've got really good

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strong plans in place, and then come two decades later, you find out that things have shifted around and you didn't even notice. So I think this is a really positive opportunity for the city with regard to the -- specifically the cultural centers, to find some new innovative ways of operating, and reaching out into the communities even more deeply. So thank you to you both and your staff for taking on this additional, kind of exciting opportunity. Thanks. >> Alter: I just want to note that recommendation 16 does ask the city manager to come back with recommendations within the year, about the governance structures, and although the city manager himself is not here, as representative, I understand that would be the process moving forward. Councilmember Flannigan. >> Flannigan: Thank you.

[10:07:02 AM]

And I appreciate, chair, your continued efforts to remind the public that council is working very hard to get through audits on a lot of areas. And I think we know the type of oversight is really important. I'm happy to be on this committee to continue that level of oversight. I'm particularly interested in the peer city review information. Part of the challenge whenever we get a peer city review is we never really hear if those peer cities are doing it well, we just hear what they're doing. I don't know it's necessarily evidence that we should copy the work of peer cities without knowing they might be having similar challenges with their cultural centers. In the nonprofit, which seems to be the majority of how peer cities operate cultural centers, Corey, can you give a little more detail on what that looks like in other cities? Is it individual nonprofits per center, is it a nonprofit kind

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of endowment or foundation that works with cultural centers? How does it work with other types? Some cities have museums, some have other types of things. We have a history center that's part of the library department. There's a lot of complexity >> Sure. I'll say a couple of things. One, you're right that we actually are pretty careful to try to call these what other cities are doing, not best practices. So what we're doing is looking out and seeing what our peers are up to, and how they're handling the same things. But we don't typically, maybe never, we don't audit them to see if they are having the same issues that we're having, or what kind of things are causing problems for them. So it's just -- it's benchmark information, not necessarily that it's the right model. I would say generally about whenever we're doing peer city research, we're not trying to say this is the only way to do it, we're just trying to gather information about what other people are doing.

[10:09:03 AM]

And I think you understand that. I would say the next piece of that, so for these particular peer cities, and these peer centers, looking at the other centers that we looked at, I think 16 of the 22 are run by nonprofits. Of those 15 are actually something called user run. Which means that some group in the community is the primary user of the facility. And that group has created a nonprofit that runs the center. They certainly have support from the city, they have financial support from the city, they may have a \$1 lease from the city. They have various ways that they are able to continue the work of the cultural center. So they're not out on an island on their own, a nonprofit running this entirely independent of the city. But they are the kind of primary decision maker for all things that happen in the center. I would say that's for 15 of the 22. I don't know if I answered your question or not.

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>> Flannigan: But in other cities, other cities have multiple cultural centers like we have within a single city. And those are run by separate independent groups, like one nonprofit for this center, another nonprofit for that center? >> I believe so. I think neha has more information on that >> That is correct, that each center has their own nonprofits which run the center. So we found only that they have only one center which is cultural centers, but other five have multiple cultural centers. >> Flannigan: Okay. What is the role that our boards and commissions have played in oversight for these cultural centers? Because most of them also have a related commission, right? >> Yes, that's correct. Our understanding is these management provide the various reports of attendance, and other performances of these culture

[10:11:06 AM]

centers to the oversight body. But we didn't look in detail, like what actually is the -- they are doing with this, like what extent they're participating in the operations. >> Flannigan: Yeah. I think it would have been nice to have assistant manager shorter as part of this conversation. It's a little challenging, I think, for the parks department -- you know, I have always been a little confused about why some things live in parks and why some things live in EdD. When you get down to the metrics by which those departments are measured, neither are really measured on the things that impact cultural centers. When you're talking about park score, or -- what is the -- I can't remember the phrase about when there isn't a lockable park. It's disadvantaged or underbuilt. Councilmember alter, do you remember what that phrase is? It's escaped my mind, the thing where there's not a nearby park.

[10:12:07 AM]

I read your lips, parks deficient. Thank you. The cultural centers don't speak to those metrics. I can understand the desire for some cities to have a separate department that would be focused on these

things because you could have metrics driven to that. I think in EdD it's always been kind of a weird fit in that department. More I think assigned to them because of the way we manage hotel tax and the cultural money from the hotel tax, than any kind of real economic development component. I don't know that I'm thinking that a whole separate department is a good idea either. And I'm, frankly, more interested in exploring these nonprofit models, and even to contemplate how we might work at a regional level through nonprofits. You know, we have -- we often talk about gentrification and displacement, moving members of the community into surrounding communities. These cultural centers were

[10:13:08 AM]

often approved and built by the residents before they moved into pflugerville or Kyle or Beulah. There's still a lot of regional investment, emotional investment into these centers. I would imagine that some of our surrounding neighbors have built centers of their own, at varying levels and at varying scale. So I'm interested in thinking through that, at that level. And it probably -- to me, it would be not city managed, but to have a lot more of a focused oversight role over a contractual agreement with a nonprofit that then managed these centers, so that there could be very clear metrics that had a clear sign post about when the metrics are being followed. Right now, I think it has been kind of glommed on to other departments, and we never measure those departments by these metrics. So that's the work that I'm interested in getting into on this.

[10:14:10 AM]

>> Chair: Thank you, councilmember Flannigan. I'm going to go to councilmember tovo. >> Tovo: Thanks very much. This is a really useful audit, and I think raises multiple issues that we can and should discuss in the months to come. One thing that several of you have touched on, and I just want to articulate is that there's definitely correspondence between the kind of programming and work that goes on within our cultural centers, and the kind of work that is taking place in our libraries. And I think there does need to be conversations more broadly across these departments. And I'll just offer one example. When we were talking with our library staff about what they were doing in this time of pandemic, in terms of virtual programming, it seemed to me that our library system could learn from some of the kinds of really innovative virtual programming going on at our

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asian-american resource center. I don't know exactly what that looks like. But I do know that, you know, as our library now has a gallery and other kinds of programming that we would have ordinarily seen in our cultural centers, there's probably a way and a need to think about this differently. And the history

center which has primarily served as library functions with programming and gallery space, I think, too, is with a move to the thought going to have an opportunity to really bridge into cultural and educational programming. In a way it just hasn't had the space to do so in the past, and again, needs to be in conversation with our cultural centers. So that we're sharing ideas among those. So that's just some comments. I wanted to just talk -- I had some real specific questions. Quickly, on page 11, there is a comment about facilities that I need to get back to. But I think it is -- I think it was a point that the website --

[10:16:13 AM]

some spaces are not listed on center websites which may reduce communities. I agree with the point that absolutely, you know, that information should be readily available on center websites. But I believe that -- I mean, some of our centers are so well used, that it's very difficult to actually find rental space. I know the asian-american resource center, for example, is very well occupied. And so I just wanted to ask you if that matched with your findings, the fact that they're not necessarily advertising all their space doesn't necessarily equate to a lack of usage. That's a question for our auditor >> Sure. And I definitely think, you know, there's like a balancing act that the cultural centers have between like how much of their time do they spend doing rentals and how much of it is mission driven and programmatic,

[10:17:16 AM]

like it's a mexican-american cultural center. But we did just find it -- it is a barrier to the community when they just don't know what is available at the center. I mean, not having -- knowing that there's a kitchen at the mexican-american cultural center available to use alongside your event, I think it could be an important factor when you're making decisions about, you know, rental -- maybe I'm going to rent that center. But there are some, like -- we also found there is a significant amount of overlap between the community members wanting to rent the space and the types of incidents they were having. Maybe they weren't mission -- like they were not developed by the center staff, but they were still in some ways mission driven in that it was an event predominantly just, you know, celebrate some aspect of mexican-american heritage, or, you know, some similar type of

[10:18:18 AM]

event. >> Tovo: Thank you. So that comment, that finding was really about eliminating barriers, not necessarily a commentary on how well used our facilities are >> Right. Absolutely. And then this finding kind of goes -- you know, there's a lot of details here, but some rooms are heavily used. Some rooms aren't heavily used. And that is something we note, but, you know, part of that may be why some of these rooms that were not heavily used, or used as much as they could be, I think we used the word

optimized their usage, might have been because they weren't listed on the web side. >> Tovo: Is that same level of detail in the report? It's not necessarily because it's not there, I may just not have landed on it yet. But if that level of detail about which rooms at different facilities is not in the report, in the final report, if you would make sure we get some of that detail, that would be useful.

[10:19:19 AM]

I'm looking at pages 9 and 10 and 11, and not necessarily -- maybe it is jumping out at me now. I'm sorry, I do see it on page 9 now, thank you >> It's exhibit 6. >> Tovo: Thank you. I had a question about the asian-american resource center. I think this is for our pard director. So we do have -- it was my understanding that there is a nonprofit, a 503-c-3, helping with both fund-raising and programming. Just wanted to ask you to speak to that. >> Councilmember tovo, there's a nonprofit that is in place, it's not specifically affiliated with the asian-american resource center. It's a nonprofit that cares deeply about asian-american issues, and one of those is the asian-american resource center. We do work with them in some

[10:20:20 AM]

cases on certain types of events, or certain types of opportunities that might benefit the asian-american community specifically at the asian-american resource center. But it's not a nonprofit in the way that -- and it's just by way of example -- it's not a nonprofit in the way of the trail foundation who has adopted that particular space and is actively fund-raising only for that space. And doing so in a very strategic and planned way. But I do not want to in any way, shape or form diminish the amount of support that they provide in stakeholder relations, and community engagement and providing us insights into what it is that the community is looking for. But it's not as well oiled a machine -- and maybe it has every potential to be, but I think that their mission is not specific to the asian-american resource center, it's to other types of issues and other types of challenges, or other types of

[10:21:21 AM]

initiatives within the community. >> Tovo: Maybe this is something I just need to take offline and understand better the evolution of that relationship, because at one point, the foundation was located at the asian-american resource center, and was actively programming that space, and that's -- you know, it was my -- that's my memory of it, unless as an observer I wasn't understanding it well, that they were working very much together on the asian-american resource center. I'm not understanding if things have changed in the last several years, or some other -- >> Understanding that, yes, things have changed, and I'm happy to talk offline about this. >> Tovo: Sure. >> And how that progressed from what you remember to where we are now. >> Tovo: Okay. Are they still located at the asian-american

resource center? Is there still a staff member on site -- >> I'm going to ask Lucas Matthew to answer that question.

[10:22:22 AM]

I'm not 100% sure. >> Tovo: Sure. We can take that offline. It just surprised me as they were talking about the govern nabs, because that was, you know, the model that we were striving for at the asian-american resource center. So I need to better understand that, especially if one of the recommendations -- or if we're looking at peer cities that have nonprofits that are very involved, I want to understand the evolution of those experiments here in Austin. Because we now have had several, going with a private management contract at the millennium center, the relationship with the foundation at the asian-american resource center. And one I would like to ask about that I think I need to -- that is economic development, there was a reference to an organization, on page 12, there's a reference to an organization that was to have run the heritage facility.

[10:23:25 AM]

And I'm -- could you remind me, please, which one that was? This is a question for miss (indiscernible). >> So when the center was originally contemplated as a result of the African-American quality of life study, it was originally envisioned that pro-arts wouldn't run the facility, but pro-arts no longer exists. So that's the evolution of it being managed by the city. But originally the construction and the concept came out of the African-American quality of life report. >> Tovo: Thank you. I want to just underscore the importance of the recommendation that temporary staff that the auditor made about the temporary staff receiving training, I think that's really important, especially since some of our facilities -- because I know some of the staff from time to time have been in touch with council. I know some of those temporary staff are actually on staff for

[10:24:25 AM]

a long period of time at some of our cultural facilities. So they are staff with whom our public interacts with a lot, and for long periods of time, even though they may not be in permanent positions. So I think that's really important that they receive the same level of training that our other cultural facility staff do. And then my last question is one for the auditor, on page 29. There's a reference to other in peer cities, cultural cities being funded in part by hotel occupancy taxes. As I'm remembering, I think the only facility that receives hotel occupancy taxes in support is the heritage facility. The African-American cultural heritage facility. >> It's a bit nuanced, because the fact that the artist access program is funded through hotel occupancy tax and the cultural



[10:25:27 AM]

centers in this is the asian-american resource center and carver museum, you know, they host some of those rehearsals and performances, and funded through the occupancy taxes. >> Tovo: Thank you. >> If I may add, that was a result of council approved action, I believe three years ago, to expand spaces for groups and artists to rehearse. So a portion of our hotel occupancy tax was set aside, the parks department has actually been able to leverage that over the three-year time span to give additional access. But the cultural -- African-American cultural heritage facility at one time was managed by the convention center, but now has been transferred to economic development, and is now 100 supported by the general fund. That was part of the transfer in

[10:26:36 AM]

fy '57. >> Tovo: >> >> Tovo: I appreciate that. I'll have to think about that change. >> This is Kate burr dock. I also worked on these projects. The mexic-arte museum is obtaining funds from the hotel occupancy tax. >> Tovo: Thank you. It seems like -- I would -- what is the best way to get really specific information? Maybe just through our budget documents. But it sounds like things have changed a bit. And that it's not necessarily consistent in terms of funding for our cultural facilities. Some are getting -- it sounds like some are getting hotel occupancy tax dollars through the artist access program, at least one is getting it through -- for some operations funding, as you mentioned. And the mexican-american cultural center, the

[10:27:40 AM]

African-American heritage facility used to. It sounds like there are a lot of things shifting, and I agree, councilmember Flannigan, that it would have been great to have assistant manager shorter here to understand well. I think we need to look at our pattern of funding of our cultural facilities and see whether it's consistent across the board. And so I just have a question -- my question -- I'm sorry? I still have the same question for the auditor. But it sounded like somebody on the call had a -- >> No, that was me, councilmember. Corey, the city auditor. I just wanted to say, I think there are two options for more information. If we have the information already, because we've collected it during the course of the audit, of course we can provide that information to you. If we don't already have that information, we could do that as a special request to put together information about how hotel occupancy taxes are used, particular to these centers, or if you have a broader request. So I would just say, keep that

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in mind. I don't know if we have all the specifics like you're asking for, about how the centers are funded. If we do, we'll provide it. If we don't, it might be a good opportunity for a special request. >>

Tovo: That's a great suggestion. Thank you very much, Cory. So my last question is the one that I prefaced is the question, as you looked at -- what were some of the peer cities, I think it's noted on page 29, what are the peer cities using hotel occupancy taxes? If you don't have it right now, if you could provide that to us, so that we can get a sense of how the hotel occupancy taxes are used to support our cultural centers in peer cities, this might offer suggestions for how we're using ours here. Thank you very much >> Okay. >> Tovo: Thanks, everyone, for this good work.

[10:29:51 AM]

>> I think you're muted. >> Mayor Adler: Thank you. Got it. Thank you. I think this is a really good audit, too, and obviously there's a lot of questions that have been raised over the last several years. I appreciate the resolutions asking for this audit so we can get to some of the questions. It seems to me the threshold question is something that several of my colleagues on the council have come back to, and that's the governance issue. And it seems to me that that ought to be kind of a flesh hold question that we -- that we ask. How should these be operating and where are they -- should they be operating -- we have a foundation model that contributes and supports it at the Asian American resource center. We also have a nonprofit that runs mexic-arte, we have the city directly influencing, we

[10:30:52 AM]

have somewhere the quality of life commission takes a more active role than in others. And I don't know what the right answer is. I mean, there's the question that councilmember tovo raised that there's functions that happen across these facilities and across the libraries as well, so there will be reasons why you want to have not isolated or siloed functions, so that they're all integrated and supportive of one another; at the same time, if you're trying to set metrics for individual facilities, that there's an entity or body that is most closely being evaluated or judged, and responsible for helping to set the metrics that we use to evaluate. That might speak more to

[10:31:54 AM]

having a nonprofit or something that is just managing and operating that facility. So I don't know what the right answer is, but it seems to me that a lot of the questions that follow and a lot of the issues that raised go to that threshold governance issue, and I think that while we have -- we know what happens in different cities, actually knowing what works best makes sense to me. And I think that ought to be kind

of a deeper dive. Where should the money come from? And how should the money happen? The mexic-arte is funding the operations but having difficulty coming up with the additional capital for the expanded plan that we had all wanted to do. Asian American resource center has a foundation I think that's more actively involved in making sure that there's programming facilities that

[10:32:56 AM]

operate than some of our other heritage centers. So just to say that I don't know how you get from here to there, and maybe that's part of the question that councilmember tovo was asking, but I think that the threshold question for us is governance. >> Chair? >> Pool. Before I go to councilmember pool, I wanted to ask a couple questions myself. I think that the governance issues are important and it sounds like there may be one or two special projects that we may want to pursue out of this but get a little bit more information from some of the other cities. I appreciated councilmember Flannigan raising that and also the questions that councilmember tovo raised. You know, one of the things we don't know is they may have a nonprofit model but the money

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may be all coming from the city, and, you know, it's a very different model if you have a nonprofit and they're raising all the money and doing, you know, most of the work, or if it's still going to be subsidized by the city, you know, how much involvement should you be having from the city. So I think we need to get a little bit more information on that, but I think those best practices are good. My office will make sure that we get in touch with acm shorter and Gonzales and hopefully also director Robert Mcneilly can also pass that up, this does cross multiple acm categories, so we just need to make sure that the interest we have on looking at the governance structures and in that last recommendation is reaching those people who need to make that piece happen. And then I did want to ask about recommendation 7 for

[10:34:59 AM]

part to ensure that the fees are appropriately charged and tracked. This says that it won't be implemented until may of 2021. That seems like a much simpler task than needing to take that much time. I know sometimes we pad the time, but would you be able to speak a little bit to that, Mrs. Mcneilly? >> Yeah, I think this is a question that's best answered by Lucas Massey, and when he's finished the response and if there's something I need to add, I absolutely will. >> We've taken corrective action to correct some of the simpler things, like the mischarging of a fee. I think the longer time period is for us to do a community engagement or to reach back out to make sure we went through our process to make sure the fees are more in line with the needs and wants of the community.

[10:36:01 AM]

>> Alter: Okay. I would just like to make sure that we get that -- you know, the basic stuff on that I think there are some contradictions in this report, there's parts where we're saying that the fees are too high and then we're upset that we're waiving the fees. And I think that they're -- you know, for a situation like this where we're really trying to support the cultural work, there may be more opportunities for that analysis. I didn't see an analysis of waivers that were done because of the city council and I know certain centers tend to waive a lot of the fees, and I wasn't sure how that was incorporated into the analysis of the fees, so I know we're always waiving fees for the arc. I don't know about the other centers as much. I know I get asked a lot for stuff for the arc. So that would be another piece of that. Councilmember pool, did you want to add something? >> Pool: Yeah, thanks, chair.

[10:37:02 AM]

First, I wanted to comment on the governance piece, because I think it's true that we should be looking for some kind of standardization, but I also want to acknowledge that each one of these facilities was founded with a particular unique mission. And whatever we do to standardize practices across them, if we decide to do that, we can't lose sight of the particular delivery and mission of each of this, specifically in the cultural centers. So I think there's room for that. There's room to have unique entities and missions within the larger standardization and -- so that the underpinnings on all of these can track across all of them, and then people -- they're much more predictable. I was concerned to hear in the update that staff had taken it upon themselves to waive fees or to lower them without that going through any kind of -- I guess we wouldn't know about it without doing this dive on an audit, and that's a

[10:38:03 AM]

concern, and I'm sure that the directors will take -- sounds like the directors have already taken steps to address that. I was going to ask our outed for, can the audit and finance committee, as an entity, request a special audit? >> So the -- I guess the -- maybe the language is a little complex, but a special request can come from any two councilmembers. So if you want more information about a particular topic, this group can absolutely request that. >> Pool: Okay. >> If you're asking for more audit work, so you want findings, conclusions, recommendations, that kind of thing, then that is really a request of the full council. >> Pool: Okay. >> But this group can definitely request additional work, more along the special requests that we do that answer questions and provide information, but don't necessarily have conclusions and recommendations.

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>> Pool: All right. Chair, that might be something that we want to kind of organize and then send over to the city auditor. And then the last thing I wanted to say, aside from, of course, thanks to staff for taking the time, this was one of the longer audits. It lasted over a year, so good work on y'all's parts, it's also a concern to me that we are letting -- we're raising money through bonds for facilities that we don't have accurate up-to-date or even existing master plans on. And so I think that there should be a full stop prohibition on any facility going out as part of a bond for a bond project unless and until the city has invested the money and the staff work to come up with a master plan for it. I think that will help in large part us stay current on what's going on with the different centers and be able to correct them more quickly.

[10:40:05 AM]

This would be a fairly massive recorection of mission and it would be easier, I think on everybody, if we were to make those corrections in smallerenty deurs and do them more frequently. So let's see about having some kind of a city policy on public facility issuances, that for facilities we have to have an up-to-date planning document to guide and to give an idea about how much money is necessary for a bond issue. Thanks. >> Thank you, councilmember pool. I wanted to make one last comment, you know, throughout all of the audits that we're going to hear today, there are references to maintenance and Ada accessibility. And as somebody who has been championing the fact that we need to invest in our deferred maintenance, and I know that councilmember pool has been leading on the Ada access, you know, in our parks, I just want to call attention that this is a broader problem and

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not specific to these particular centers. We have over, I think it's \$300 million, you can correct me if I'm wrong, in deferred maintenance, plus there's the Ada accessibility and so I just want to be really clear that, you kw, pard is working with very limited dollars to address these shifts and has to balance it across the whole city in all of its properties where those maintenance needs are. And, you know, as we're making decisions moving forward, as we're thinking about where our deferred maintenance dollars go, not having them has real consequences and affects people's lives, but that, you know, pard is able to do what they're able to do based on the funding that council gives them, and, you know, to the extent that the backlog, since for many years before we had the deferred maintenance, we

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were doing nothing for deferred maintenance beyond, you know, some small marginal things, nothing may be an exaggeration, but compared to the scale of what we were doing, you know, we just need to keep that in mind as we're making funding decisions and stuff. And I don't know, Mrs. Mcneilly, if you want to speak to the magnitude of the challenges for Ada -- magnitude and the challenges for Ada and the funding within park so we can be clear with the challenges we're dealing with. >> So I think that you've articulated the challenges quite well, councilmember Alter, but on a kind of moving forward note, we did receive funding, bond funding, for deferred maintenance sorts of things. We did receive bond funding for Ada items and we also have obviously the general bond funding for different projects that we can absolutely address certain issues within our park systems as we renovate or

[10:43:08 AM]

redevelop space, which will significantly increase accessibility in certain areas. I will also tell you that we have an asset management program that is in its final stages of being approved. We've been working with our I.T. Colleagues and that particular facility assessment, it's an asset management system but it allows us to assess every facility and that will help us be able to prioritize things. And I think that with that system, to councilmember Pool's point about having guiding documents to be able to provide really good information about the different needs of different facilities, not just for these cultural systems, but for all of park, I think those are things on the horizon that are very positive and will contribute greatly to managing and to better addressing some of the issues that you have seen in this audit. Cultural centers and throughout the parks and recreation department. So you articulated our challenge well, but I wanted

[10:44:09 AM]

you to know that we're not just throwing our hands in the air, we have multiple systems and multiple things happening to help address those items. >> Alter: Great. I read about the asset management system and was very excited about that as a tool for us. So thank you very much. I think most of you are staying for the next audit. If there are no more questions, we're going to move on to the millennium use and we will still end at 11:30 if we don't get to the Mexico-Arte one today, we will -- that's why we kind of moved things around. If we don't get to Mexico-Arte we will move that to our next meeting but we will begin the presentation on the millennium youth entertainment complex. >> This was included in the resolution as something for us to review. Naha Char Ma who managed all of this work is going to present the audit today, so -- and I think there's a

[10:45:09 AM]

presentation to the ctm av support. There's a presentation tied specifically to this one as well. >> Alter: Okay. >> Good morning, councilmembers, my name is [indiscernible] As you heard about it before, and I was the manager for the millennium youth entertainment complex audit referred to as millennium for this presentation. Next slide, please. The millennium is a city-owned facility which offers entertainment activities and spaces for rent. The construction of this facility was funded through a hard loan. To satisfy hard loan requirements, the city created the Austin rosewood community development corporation. This entity is a nonprofit organization which we will

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refer to as board for this presentation. Next slide, please. As shown in this slide, there are several parties involved in the activities of the millennium. For instance, the pard is responsible for monitoring of agreement with the board and for providing administrative services to the board. In addition, pard also manages millennium capital and operating budgets. The board is responsible for overseeing agreements with smg. Smg now called sma -- sm global is a for-profit entity that manages, operates and markets millennium. This entity is called management company for our presentation. Next slide, please. For this audit, we looked at whether the millennium is operating effectively to meet

[10:47:12 AM]

community needs. We identified various issues related to governance and operations of the millennium. These issues are organized in five findings, the rest of the presentation will detail these findings. Next slide, please. As mentioned earlier, there are various key players involved in the activities of the millennium. For our first finding, we noted strained relationships and a lack of trust among these key players. In addition, a lack of trust was also perceived by the community members and other stakeholders. This strained relationships and a lack of trust among stakeholders created an environment which if left unaddressed would further impact the ability of facility to meet its mission. Next slide, please. We noted several factors which

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appeared to have contributed to strained relationships and the lack of trust. For instance, the board did not effectively carry out its oversight responsibilities for the facility operations. We will discuss this in detail in our finding 2. From our survey and interview of stakeholders, there seems to be a lack of trust between stakeholders. It appears some stakeholders for sections are influenced by history. For example, the community perception for the future of facility is that the city is planning to sell it, shut it down or repurpose it to further gentrify east Austin. Next slide, please. The strained relationship and lack of trust

appears to be negatively affecting the ability of key players to create a common vision for the facility operations, needs and the future.

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For instance, it took over three years to renew the city agreement with the board. For this finding, we recommended that the city manager should work with all key stakeholders to break communication barriers and build trust. Next slide, please. For our second finding, we noted that the millennium agreements were not effectively monitored. As a result, the city has less assurance that community needs are met. In addition, providing funding to third-party without oversight may lead to negative public perception that the city is not good steward of public funds. Next slide, please. We found that pard management did not monitor the performance of the board.

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For instance, the pard did not ensure board submitted the required reports. We also found significant gaps in the way board monitored its agreement with the management company. For instance, the board meeting records showed that only seven meetings were held between calendar year 2012 to 2019. Based on interviews with stakeholders and review of board records, we noted that the board did not review the reports submitted by the management company for the completeness and accuracy or discuss its performance. Next slide, please. The millennium agreements were not effectively monitored partially due to unclear roles and responsibilities of key players in the agreement. For instance, five management indicated that one of the

[10:51:16 AM]

rules and responsibilities are not clearly stated in the city agreement with the board. In addition, not all the board members were aware of their monitoring rules. We noted that the governance structure of the board also presented challenges. For instance, the board indicated pard staff -- board included pard staff by serving on the board, pard was responsible for monitoring the board agreement which created potential conflict of interest. During this audit, city [indiscernible] Addressed the issue of having city staff on the board by removing all city staff and appointing community members instead. To address the noted issues, we recommended that the city manager should evaluate the current governance structure of the millennium. Next slide, please.

[10:52:17 AM]



For our finding, we noted that the city has not addressed issues identified for the maintenance facility or accessibility requirements. Next slide, please. The management company [indiscernible] Identified capital item and associated costs to the city. In fiscal year 2019, capital expenditure needs identified for the facility were about \$500,000. Council approved approximately \$280,000 to address some of the identified needs. According to city staff, this amount have not been applied because there is no enforceable agreement between the city and the board. In addition, in fiscal year 2016, the city identified several issues related to Ada compliance.

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According to management the estimated cost to address th issue was about \$500,000. From our survey an interview of stakeholder, we noted that while the majority of stakeholders believed that the facility is well maintained, some express concerns that upgrades are needed but to clearly skating rink and movie theater. Next slide, please. From our community survey, we noted that majority of community members express satisfaction with activities offered at the facility. However, some community members and other stakeholders noted a need to upgrade the theater technology and improve the quality of video games to attract more youths. Since it is critical to maintain the facility infrastructure and technology, to provide effective services to the community, we

[10:54:20 AM]

recommended that the pard director should work with the city manager and budget office to identify necessary funding for timely addressing the identified maintainers, technology and accessibility needs for the facility. Next slide, please. In this finding for the agreement between the board and the management company, we noted some issues related to performance expectations. Next slide, please. As shown in the graphics on this slide, the management company did not meet targets for revenue and attendance in the last three years. The management company and the board members indicated that outdated technology and unaddressed maintenance issues may have impacted the management company's ability to meet targets. Next slide, please.

[10:55:22 AM]

We also noted that the management company of millennium also did not implement some performance requirements. In addition, we noted some performance expectations were not specific enough in the agreement which make it difficult to measure success. In our recommendation for finding 2, we recommended that the city manager should work with stakeholders to establish clear expectations,

which include performance expectations. Next slide, please. This finding is related to accessibility of the facility. In our community survey, we saw community members include for two aspects related to accessibility. Whether the fee charge is affordable for the community and whether the facility operating hours are aligned with the community needs. Next slide, please.

[10:56:25 AM]

By most community members said fees were affordable, some of the members expressed concern that the fees are high, especially for low-income families. In our comparison of fees charged by the millennium for some of the entertainment activities to the fees charged by local private facilities, we noted that the millennium fees are relatively lower. For the facility operating hours, while most respondents believed that operating hours meet their need, some expressed concerns. For instance, the millennium did not open during school holidays or at a time convenient for teens, youth adults or parents. We recommended that the city manager should work with stakeholders to address the barriers highlighted in our finding. Next slide, please. We have three additional observations for this audit. For our first observation, we

[10:57:26 AM]

noted that based on terms of the agreement between the city and the board, when the facility expenses are greater than the operating revenue, the city provides additional funding to run the facility. As shown in this slide, the facility consistently operated at an average net loss of approximately \$703,000 each year and required an annual operating contribution from the city. Next slide, please. For our second observation, as mentioned earlier during this audit, the city council restructured the board. The current board and management noted that there have been improvements in working relationship between them. This has allowed both parties to work together on addressing some critical maintenance needs of the millennium and to

[10:58:28 AM]

develop a draft agreement. The third observation is about the [indiscernible] In our research we did not find a city that owns and operates an entertainment city like millennium. We also did not find a culture center run by a nonprofit that contracted out management of a center to a for-profit company. Next slide, please. City management and parred management agreed with all of our findings and recommendations. This completes my presentation. [Indiscernible] Audit in charge for his audit and I'm happy to answer any questions. >> Alter: Thank you, Mrs. Sharma. Let me go back to the panel. Thank you. So I'm going to let management respond, but I forget to take a vote to accept the other

[10:59:28 AM]

audit. I've been sort of thinking of these as all one audit, but they have been separated into separate audits. So if I can get a motion to accept the audit that we heard before for the city cultural centers, motion by councilmember Flannigan. Seconded by councilmember pool, all those in favor? That's unanimous on the dais. Sorry about that. So Mrs. Mcneilly, did you want to respond or one of your staff respond to the millennium youth complex audit, please? Then we'll take question. >> I concur with the auditor's findings, and their recommendations, and the department has already begun working through some of those issues. I will absolutely say that -- and I need you to know that Susan piper, who is our chief administrative officer, she's on the line to help with this particular audit, and also in the attendee list, noticed that Dr. Courtney Robinson,

[11:00:29 AM]

who is the chairperson of the Austin rosewood community development corporation who helps manage the millennium is also on the line. And I think that she will concur with me that since her appointment to the board and our new structure, that we have been working more in partnership and while our relationship is still in the development stages, things are much improved from perhaps when this particular audit started with regards to developing trust and our ability to work more cohesively. And I just wanted to make sure that the councilmembers were aware of that and also thank Dr. Robinson for her leadership and for her willingness to work with the parks and recreation department to resolve the different issues that we've uncovered. >> Alter: Thank you, Mrs. Mcneilly. Are we able to move Dr. Robinson and the other

[11:01:31 AM]

staff member in to be able to speak with us? So I did want to give Dr. Robinson just a minute, if she would like to say anything about the audit before we move into questions. >> I think I'm unmuted and you can hear me. Maybe. >> Alter: We can hear you but not see you. >> Okay. Let's see if I do this, will that... >> Alter: Now we can see you. >> All right. Good morning and thank you for allowing me a few moments to talk about the millennium youth center. It's definitely been a journey. I was appointed chair in September. We have a lot of things to work through. We concur with the audit and the items that were found in the audit.

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And we want to assure the council that we are working diligently, both with the management company and the community and this board is dedicated to ensuring that we bring the millennium back to its glory is how we sort of talk about it, in the sense that this is a community asset, we know how important it is to the community. There's a lot of sentimental value around this particular asset, and we want to ensure that we support the community and the neighborhood, but that we also bring back community members who have moved into pflugerville and manor and other parts of the city because this was developed for the youth of the community and we want to ensure that we're bringing those youth back. We have some new ideas in terms of how we envision the operations of the center and what we bring to the center.

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One of the things is a virtual learning space. We noticed that during the pandemic, there were lots of kids who did not have access to technology, didn't have any places to go to get educational support, and we want to ensure that we are that place where youth can still count on the millennium to be a safe place and a secure place and a place where they can grow and learn and have fun. And we also want to note that we are working through the funding issue. We recognize that the millennium isn't like any other city asset, and we can't find a structure anywhere that is like this particular structure, but we do recognize that we have some funding challenges and we need to figure out how to bridge the gap and how to make our funding a little more equitable in terms of how 're operating. The millennium has to raise a lot of money to just meet its basic needs, and if you all

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haven't been there recently, this board has been able to get our skating rink repaired and we're working with pard to work on the theater area, but there are signs that you're still walking into the 1990s. And so we, of course, want to ensure -- >> Alter: You just muted yourself. >> Sorry about that. We just want to ensure that we can make this a space that is important for the youth in this community, both locally in the neighborhood and regionally. >> Alter: Thank you, Dr. Robinson. I appreciate you being here, and, again, just for context, this audit is still coming out of that same resolution as a council we took steps to change the makeup of the rosewood corporation, I think last year, and Dr. Robinson has now taken over as that chair.

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So, again, you know, we have things in progress. This audit is providing us very useful information, though, to guide us as we take the appropriate next steps. There's still, you know, as we should note, there's still some vagueness in the recommendations and we will have to take, you know, think carefully

through our next steps, but I'm very pleased from what I've learned about the improved relations, which I think are really important for success moving forward. I want to open it up to my colleagues, if you have questions on this audit. Comments? Councilmember tovo and then councilmember Flannigan? >> Tovo: Thanks, very much. This, too, I think is a very useful and instructive audit. My first question is really for Dr. Robinson, if she is -- I saw her a minute ago but now I'm not sure if she's still

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on -- on the call. >> I can hear you. >> Tovo: Thanks so much for the good work that you and your fellow board members are doing. In particular, I was looking at some of the recommendations from stakeholders about hours and things of that sort, and as a mom who's called about the roller skating and trying to figure out hours there, I share and I have experience some of the same stakeholder concerns that were raised by some of the attendees. Has the board talked about that issue in particular, and about potentially having Sunday hours and more extensive opportunities for kids during after school hours and aisd school schedule and other times? >> Absolutely. I'm a mom as well, so I totally get it. We have talked extensively

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about the hours. We would really like to be open seven days a week after school, on school holidays and on the weekend. What our management company is saying to us that there aren't the funds to have staff available to fund -- to staff the millennium properly. And so those are the things that we're working through, is that how do we ensure that we have the funding for staffing to have the center open during all the times in which children could be there, in the evenings, after cool, on the weekends and on school holidays. >> Tovo: Have they looked at -- I mean, I would think -- it's such a -- I mean, I don't -- I'm sure that this is exactly some of the challenge the board's wrestling with, it's such a circle, because if you're closed for half the weekend, well, then you're going to lose a lot of revenues you would otherwise have. >> Yes. >> Tovo: Lots of us on the

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call have probably been to playland on a Sunday and it's packed, and so there's definitely a lot of families who want to go skating, bowling and other things on a Sunday. So I guess I'm just wondering how -- whether the management -- whether you're kind of pushing the management company to really look at adjusting their hours so that within their same staff operating budget they can kind of shift it around to when the top areas might be. I'm looking also at the stakeholder comment that private parties on Fridays often interfere with family skating and, you know, that concerns me because it's not like they're operating at a profit -- I mean, they're losing money anyway, so let's keep those hours, those

really popular hours. In my opinion, we should be keeping those available for families and others who would use them. So -- >> I have to -- and in this moment be transparent in that our management company has

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really been operating sort of on their own because they didn't really have the oversight of the board. Excuse me. So we have spent a lot of time looking at our contract, lining up expectations, roles, responsibilities, to get us out of the hamster wheel and get us out of -- and we're hoping that we can reopen. There is a budget shortfall, so we're trying to address that as well. We're hoping that we can reopen and these things can be addressed pretty quickly. >> Tovo: That's great. Thank you, again. That's a hard role to step into. >> Thank you. >> Tovo: I appreciate -- again, I appreciate the work that you and the board are doing. What year are we in with the contract with smg? >> Our contract with smg doesn't expire until 2024, but the board is already talking

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about what the future might be in terms of management of the facility. >> Tovo: And it's such an unusual thing for a city facility to have a contract managed by a nonprofit, and so I do have a question for our pard staff, why that arrangement was pursued, but do you -- is there an ability within the contract that smg -- that the city has with smg to end the contract early or are those some of the questions you're still trying to determine? >> So one of our newly appointed board members is an attorney, and she is helping us sort through those things. >> Tovo: Thank you. Thanks so much. And then I guess that's my last -- my last -- well, no, I have two questions for our director -- for director Mcneilly. One is the one we just asked about, if you could help me

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understand kind of what some of the conversations were around this facility and why this particular governance arrangement was what the council decided to pursue. I just don't know of any other example where we have our city -- a city -- a contract for a city facility being managed by another entity in between, and so that that just seems very unusual. And then my other question is the one I asked during the budget, as the audit report indicates, in 2018 the council was informed about the fact that the theater was not able to show movies. You know, which is clearly a huge gap that we wanted to address. We allocated the funding to do that, and it took a long time for the word to cycle back that there was a contract dispute that was keeping -- or not a contract dispute -- well, I don't know what to call it, you couldn't -- there was no contract in place that would allow that money to be spent. And so, you know, I applaud

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the parks department for making sure those things got started out before we put taxpayer dollars into making those improvements. On the other happened now we've had two years that the movie center haven't had the ability to have the repairs to serve its community well. Those are two questions. The first is about the historical governance structure and the rationale for it and the second is, were you -- like how -- because of this governance, it seems like our staff may not be -- may not have gotten information it needed to really act on this case the council's will to make those repairs. And so that concerns me a lot. And I want to be sure that I understand why that happened, but also -- you know, it sounds as if we're on the path to not having that happen again, but I want to be assured of that, I guess. >> So to answer the first question, the goffs structure was put in place as it relates

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to the hud loan, and so you have to go back many, many years as to when it was decided that we would build the millennium and for the purpose. There was a relationship with hud and hud required certain things, and that's how the community development corporation, the arcdc, Austin residence community corporation was established. We have since paid off the hud loan and there has been a suggestion or ideas that perhaps it's not necessarily to have the arcdc. Are you still there? >> Tovo: Yeah, yeah. >> I apologize. It went out and I didn't know if it was me or if it was someone else. I apologize. So there has been some questions as to whether or not that governance structure needs to remain in place or there are different relationship, via a nonprofit relationship or direct contract relationship if that's an action.

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We have not explored that to determine the most appropriate governance structure hence this audit is telling us we might want to take a look at that. With the council's decision to appoint and reestablish the arcdc with the current board members, things have -- our ability to work together has really improved. And so to answer your second question, the \$280,000 plus was always available to the parks and recreation department to be able to perform the work at the millennium youth. The previous board, because we didn't have the level of trust or there was not a positive relationship, the previous board did not have confidence that the parks and recreation department would manage that project in a way that would be satisfactory to the millennium. And so what they had asked us to do is to please be able to

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transfer that money into -- for the ability for the community development corporation to work directly with the management company to then spend those funds, but in absence of an agreement, which expired in 2016 and for multiple reasons we were not able to have that agreement be approved, we weren't able to transfer the money. And there had been a resistance to taking on the project. But as Dr. Robinson has stated, there was a situation where there was an emergency project with the skating rink and the basketball courts, and because we have been able to improve our partnership, the parks and recreation department was able to manage that project and complete the skating rink and the basketball court on behalf of the arcdc and the millennium millennium youth and we did that in cooperation with the management company. So they has a stakeholder were

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absolutely telling us what their needs were and we managed the project. And because that worked so well, we are in the process of doing the exact same thing with the \$280,000 for the theater upgrades, so we're working directly with the management company as the stakeholder to understand the needs, we're collectively putting together the scope of work, which I would expect to be done at the end of this month, and then we'll be able to put that out to bid and go through the processes for project management and for facility improvements and be able to get that done. And in addition, just so you all know with regard to this last budget we passed where there was some deferred maintenance, the parks and recreation department has additional funding that they'll be able to invest in the millennium and certainly we will consult with the community development corporation to determine what the priority needs are so that we're able to address those needs with the available funding. So I think those are pretty -- there's additional detail that you need I'm happy to provide it but I think that covers

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it. >> Tovo: It does. Thank you so much. >> Alter: Councilmember Flannigan? >> Flannigan: I think councilmember tovo went through most of the items. I'm mostly concerns for the governance issues. I think councilmember tovo really went through those where those really fail when we haven't addressed the long term governance piece. I don't have any more to add right now but I am very interested in thinking through how to get the governance piece far more sustainable. >> Alter: Thank you. Mayor Adler, did you have any questions? You have to unmute. >> Mayor Adler: It's hard to find the button. I think that obviously this has been something that has come back to council. It's good to hear that the money for the equipment is now going to be put into place and

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when you look at the numbers in terms of attendance, it would be really nice to have something that felt like it was a path that would increase the usability, the number of users that are using that. And listening to the conversations in the community, it seems to be a significant need. I know the contract runs through 2024, 2025, I hope that we're taking a look at whether or not and to what degree that is a contract that should remain in force in the form that it's in. I would hope that we're exploring the possibility of taking a look at what would be the optimum situation and engaging that with the management company on that. Unless and to the degree that that's no longer a barrier or sticking point, being able to get to the community

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everything that's needed. >> Alter: Thank you, mayor. Councilmember pool, did you have anything you wanted to add at this point? No. Okay. Thank you. So I wanted to, you know, just ask if appropriate, I don't know if it is appropriate, but just want to make sure that we are also making our city legal staff available to help review the contract to support the board as it looks at its options, since we have staff who focus on contracts. Is that something we can do or have done Mrs. Mcneilly? >> So we have had our city law department involved in the development of the contract, but it has been deemed that it's not appropriate for us as a city entities to write the contract and then provide legal guidance on behalf of the city into the contract, but then provide legal guidance on behalf of the city to the community development corporation. And so there would be a conflict in that particular

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situation. So that is why chair -- Dr. Robinson has been able to effectively add a new board member that is -- that does have legal experience and prior to that, they were using an individual who was donating their time to review the contract to make sure that it was meeting the needs of the community development corporation. So I think that we've resolved that issue. There is legal council now actually on the board that can help with community development corporation and they'll no longer -- and I'll let Dr. Robinson, obviously, speak to this, but I don't believe they'll have to seek out donated time. And in the meantime, the city of Austin law department, we do on occasion, they do attend the CDC board meetings to make sure that we're providing information or input and being as helpful as possible, but we for us to review the contract from the eyes of the CDC, it

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doesn't -- it's a conflict, if that makes sense. >> Alter: I guess it was wondering if it was possible to review it to see what options there were to maybe have a fresh start. >> And I think what Mrs. Mcneilly is trying to express, like the complicated of the relationship between the city and the board, and then

the board to the management company, so there's a relationship between the board and the management company that effectively the city is not technically supposed to be involved in, which sounds crazy when I say it out loud, but that is how it is structured. And so we -- we as a board have to get legal help to examine the current management contract and structure.

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That is a conversation that is already in place. We have someone with legal experience who is reviewing the contract. And if we need to, we will bring in additional support around that contract because we recognize that there may be other ways to operate in a more holistic and effective way. I'm also the founder and CEO of a nonprofit organization in town, the excellence in advancement foundation, and we have other nonprofit people on our board, and so we're really examining whether a nonprofit entity might be better suited than a for-profit entity to operate the facility, but this is all beginning talks. This is all sort of the beginning of how do we ensure that the youth in this community are getting what they need. And so that's where we are in the conversation.

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There's been so many things, but Mrs. Mcneilly I think, can attest that we -- we appreciate their support, we use their support, but we're also trying to ensure that we're respecting the governance that's been set up for these entities. >> Alter: Okay. So obviously there's a lot of complications of how this is set up, to say the least. >> Yes. >> Alter: Can you explain the next steps, because as I understood it, you were going to be coming to us in June with a new agreement, and that may be coming forward because we still have to have an agreement amongst the parties, even if we haven't fully landed on where we want to ultimately go with the governance structure. So can you speak to what you're anticipating, when that is coming and how much flexibility that will include to morph as we resolve more of the issues. Because my sense is that we're agreeing that we need to

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have -- we have to have something in place, even if it's interim, but can you tell us what that path is a and when we will see that and what that's going to look like? >> Absolutely. So we have finalized an agreement with the city. It is ready for a vote. It was held back because of this audit. The thought that was in the agreement that we -- that was agreed upon between the city and the board, that there were some things left out in terms of expectations and roles around maintenance and what the board thinks are small things. And so we're hoping that this agreement is voted upon, and then the city and the board can really sit down and talk about expectations and roles and possibly providing an amendment, a small

amendment to the agreement, because what we're looking at, we feel like now are small things because the relationship has improved

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dramatically. And so when we talk about expectations, I think that each party will come to the table in good faith. >> Alter: Mrs. Mcneilly, would you like to add anything to that or -- >> If the --eah, I concur with what Dr. Robinson said. If for some reason our council is not comfortable with voting on the agreement, then certainly our attorney from the city of Austin and the attorney with the arcdc, along with Dr. Robinson and the board and myself as the liaison, the city liaison, can work on those minor tweaks prior to bringing it to council. But either way, we want to expedite this relationship, this formal agreement, this formal relationship so that we can get to doing the good things for the community and - not that the agreement's not a good thing for the community, but I think you know what I'm saying. It's the legal part of it, we

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want to get down to the work of providing the services and providing the good things to the community. So post to this meeting, I'll make sure Dr. Robinson and I have a conversation and strategize and it will be very soon that the council will see an agreement to vote on. >> Alter: Mrs. Stokes, did the auditor's office want to provide any insight on that path and -- from your work? >> I think Dr. Robinson summarized it nicely. I think our concerns, well, there was two concerns, finalizing the agreement before we'd had this conversation with you guys about kind of the history and where we're at and what's been happening. We felt like it's been since 2016, so a few more months back when it came up before council in June, a couple more months before it got finalized didn't seem maybe out of the ballpark, but I do think Dr. Robinson voiced it nicely, our concerns were that there are some specific kind of roles and responsibilities that could be clarified, who

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does what, who's responsible for what, who's paying for what within that agreement. If that's done from, you know -- we have the audit finding, so our work is done really. We think that the parties can go forward with that information, and if the contract doesn't have that in it and they need to do an amendment later, that's fine. It's a seven-year contract, so that was one of the reasons, I think, that we were kind of raising the -- could we be more clear about the roles and responsibilities in this contract. >> Alter: Councilmember Flannigan, I have a feeling you're going to say what >> Alter: Council member Flannigan, I feel a feeling you were going to say what I was going to say, but go ahead. >> Flannigan: You

just just never know. My concerns are, if there's procurement, I don't know why we wouldn't follow a normal procurement, which does require council ratification. And, you know, my

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understanding of the -- kind of the middleman or the middle person is related to some old funding, a requirement based on some old funding that no longer exists. So I don't know why we would continue that process, or at least I'm open to hearing from the community why they think we should continue that process, but, you know, ultimately the public thinks this is a city-run and city-controlled and city-operated facility, but it kind of weirdly isn't. And that conflict is causing a lot of problems that is, I believe, breeding additional mistrust with the city, when we have an opportunity to course correct. I think the council will be unified in wanting to course correct, but it does require that we need to be involved. >> Alter: So that was not exactly what I was going to say, but -- so I guess what I'm wondering is why we're doing a seven-year contract if the contract with smg is only till

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2024 or 2023 because it seems like that is just adding one more layer of complication for making a termination which may or may not need to wait until that contract has to be renewed. And obviously we could amend it once we have the plan and everything in place for what comes next, but I'm not sure why we're making it that length of time for the agreement. >> Well, the agreement isn't between the city and smg. The agreement is between the city and the board. And so then the board has a separate agreement with smg that expires in 2024. And so that agreement doesn't really have anything to do with our agreement with the city. >> Alter: So I'm seeing it slightly differently. I'm seeing it that we have a contractual relationship that has an

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opportunity to be looked at again because the obligations for the H.U.D. Funding are over, and so that we may, as part of the -- and I don't know where it lands, and obviously having the community involvement from our prior conversations seems to be a road forward. I'm not sure why we would complicate things and have an agreement that goes beyond the contract, rather than making sure that we have to clearly look at this and take advantage of it before a new contract is signed with another operator or with that operator again where we don't have a say on that contract. >> Council member, I understand what you're saying. I think you make a valid point, and so if you could allow Dr. Robinson and myself and our -- you know, our legal teams to be able to discuss that and certainly take that into consideration. I understand what you're saying. >> Alter: And I just want

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to clarify, the spirit within which I am offering that is to provide flexibility, to provide solutions that I was hearing that we were talking about, not because -- not for hesitancy for having the community involved, but for building in that flexibility that will allow us to make the kinds of transitions that I was hearing -- hearing you say were part of the vision moving forward to make this facility really serve -- serve the community. All right. So are there any other comments before we finish? So I'm going to take a motion to approve this audit. Mayor Adler makes the motion. Council member pool seconds. All those in favor? It's unanimous on the dais. Given the time,

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Ms. Stokes, can we postpone the [indiscernible] Till the next -- >> I'm comfortable doing that. We do have a pretty crowded agenda for next month as well. That seems to be the case all the time, but we haven't met in a while, so I think that's the contributing factor. If folks are available, I think it's a five-minute presentation. If not, then we're happy to bring it back in September. >> Alter: Do we have enough of us who are able to stay? Council member tovo? >> Tovo: I just -- I'm going to need to leave to go to another meeting that started a few minutes ago and would love to participate in this conversation. If it truly is five minutes, I'll be a little later to that one, but if we can do it next month, I think that would be a good idea. >> Alter: Okay. We'll do it at the next month, and if we need to have -- we can look to see if we need to add a half hour to that meeting or something to make sure we can get as much done. So thank you, everyone. I think the other thing was just what's coming up on the agenda.

[11:34:05 AM]

Ms. Stokes, do you want to speak to... >> Sure. Just the upcoming agenda next month, we will have -- we've delayed the schedule a little bit for our audit plan so we'll bring a draft audit plan at the end of September. We usually bring that in August, but with budget and everything going on, it made sense to delay that a little bit. We'll have our draft audit plan for you guys. By then I will have met with most councilmembers individually to collect input on that. And then we also have our 311 audit coming forward. I believe our code repeat offender audit should be ready for that. And we have a code change that we'll talk to you more about over the next few weeks. But it's really a minor tweak to code, related to our investigations. So all of that, plus mexicarte will be coming in September. >> Alter: Okay. Well, thank you very much, and with that, unless there's something I'm missing, I'm going to go ahead and adjourn the meeting at 11:34 A.M. Thank you, everyone, for being with us this morning.