

# Audit and Finance Committee Meeting Transcript – 04/28/2021

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[9:35:12 AM]

>> It is 9:35 A.M. Joined on the virtual dais [music is overriding the audio] Two other colleagues we have two separate minutes, I take a motion to approve the minutes from March 31st and April 18th, moved by which Kelly, seconded by councilmember pool.

>> Pool: I have a question.

>> Alter: Go ahead, councilmember pool.

>> Pool: I wanted to check with our city auditor if the minutes from our last meeting included the backup from ace, inc.? I think also we got late back up but can we be sure to include those documents in both last meeting's minutes and then also this meeting?

[9:36:14 AM]

Thanks.

>> We can't hear you.

>> We will make sure that they are referenced in the minutes and then include them in the backup for the meeting. That works.

>> Thank you, all of those in favor of approving the minutes? Mayor Adler. Okay, that is unanimous on the dais approving both of those sets of minutes. With councilmember pool's request noted. Um so -- so looks like we have Diana Thomas for our next -- one of our next sessions.

>> Good morning.

>> Alter: We are just waiting to see if a couple of other councilmembers wanted to join us.

[9:37:14 AM]

We are -- we are trying to get them online here.

[Multiple voices]

>> I'm sorry, what?

>> Just wanted to make sure that the rest of the team that's doing the presentation are also being added. Should be interim controller Maria [indiscernible] And

[indiscernible] From deloitte, Rogers from deloitte,.

>> Alter: I see them coming up now.

>> I sent them both a link. So we just need to wait and see if they are able to -- log in.

>> [Indiscernible] Also being added.

>> Pool: So we will take

[9:38:16 AM]

up the deloitte item first, is that right, chair?

>> Alter: Yes, we are going to go out of order from what is on the agenda. I'm sorry I'm getting texts about this meeting somewhere else here. Okay. Mayor pro tem hasn't received a -- it.

>> I will go ahead and send it as well.

>> Okay. So -- so [indiscernible] Item 4 --

>> So I think we will go ahead and start. Okay. So -- so as I was saying,

[9:39:16 AM]

we're going to go a little bit out of order. So that we can have our external auditing first so essentially we're going to take the briefings first, we're going to on-- audit, item 4. And we're going to take that smbr, which is item 5, because we have postponed them multiple times and then we will take up the --

related to ace and then we will take up the convention center financial questions item 7 and the storm audit will then happen in future items. I for the discom bobbation, but our external auditors we wanted to make sure to get them in first. As long as we were giggering everything, we thought that we would do that. I would note for staff, as of last night, there was a bunch of backup on presentations that was not voted up. If you have not already done

[9:40:17 AM]

so this morning, if you can please make sure that backup gets up for transparency purposes. Just for the record, councilmember Fuentes is watching on atxn, I think she did just get a link. Diana Thomas are you the one who is kicking us off for this presentation.

>> I will, thank you very much councilmember, I'm Diana Thomas, the interim deputy chief financial officer. I'm going to introduce Maria who is the interim controller to lead the presentation.

>> Thank you all, can we bring up the presentation or --

>> Thank you, good morning mayor and councilmembers. I am here with

[indiscernible] From deloitte and touche llp the center's external auditor to present the results of the fiscal year 2020 annual finance report or the report

[9:41:19 AM]

audit. You will receive your bound copies as soon as we can get them printed. The city's report was issued March 19th, 2021, we were required to issue by March 31st, we are pleased we issued early. It is available online. The web address is listed below the picture of the cover. 2020 marked Austin energy's 125th year at the city of Austin community owned public utility and this year's report celebrates this milestone. This year's report and audit are the first ones that we have completed 100% virtually, so we are very proud of that. The comptroller's office is responsible for the preparation of the city's report. Our office works closely with deloitte to obtain an independent audit of this report. If we can advance to the next slide, please. Listed on this slide are the

[9:42:19 AM]

requirements for an annual audit and the city is in compliance with each of these requirements. We have our independent auditor, deloitte and touche, llp, they are an independent certified public accounting firm and this is the third year of a five year contract for audit services. The report was issued within six months of fiscal year end. The report was published on March 19th, 2021. We are required to

present within 60 days of issuance. Deloitte is here today on April 28th, 2021, which is 40 days after issuance of the report. We can move on to the next slide, please. I would like to thank those listed on this slide for their contributions to the -- to the completion of this key financial report. Including the mayor and council, city management and the city's financial staff for all of their work in getting this report completed. So if we can advance to the next slide, please. Next we have the deloitte

[9:43:21 AM]

presentation and reed with deloitte will now take over, we will open it up for questions at the end of this presentation, if can he with move on to the next slide, should be -- yeah, that one, thank you.

>> You are still on mute.

>> Thank you, Maria. Good morning, good morning, councilmembers and mayor and thank you for the opportunity to present our year-end results of the audit. Together with me on this call are Blake Rogers, he's a partner in our audit practice and Jane Chen a senior manager. Blake was in charge of our compliance work that we performed for the city and Jane was the manager in charge of the audit. If you could move to the next slide, please. We are here to report that we have completed our financial statement audit of

[9:44:22 AM]

the comprehensive annual financial report for the city and our auditor's opinion is included in the financial section of the financial statements that you should have received in your packet . Our audit was performed in accordance with generally accepted auditing standards and government auditing standards, we are required to follow the government auditing standards because you've federal and state financial grants and awards. As Maria mentioned, our auditor's opinion was issued on March 19th, 2021. As you all know, this was a big year, like Maria said, that we have performed -- completed the audit completely virtual. We really want to thank the cooperation of Diana, Maria and the whole team in the comptroller's office and together with everyone within all of the departments, this was a challenge that everybody has met. We have received their full cooperation throughout this engagement. And received, you know,

[9:45:22 AM]

during the middle of the audit, and in addition to the pandemic and the -- and dealing with CARES Act funding and the issues around the accounting and compliance related to those, we also -- faced a storm that came into the middle of the audit. But management and staff were extremely helpful in helping us complete this audit on time and be able to

[indiscernible] This opinion. If you can move to the next slide, please. As I mentioned, the audit was performed in accordance with general accepted auditing standards and our opinion is unmodified, meaning that the financial statements that were presented by management do represent the financial position of the city of Austin. This is basically the best results that you would want to hear from the independent auditor. One thing to note is that there are certain component units that are presented in the financial statements

[9:46:24 AM]

those component units were audit by other auditors and our opinion basically references the other auditor's opinions. In addition to the financial information that's included in the financial statements that are subject to the financial audit, there are other required subject information including, that basically is the management discussion and analysis and also certain schedules are required [indiscernible]. Those schedules and the dna were basically not subject to the audit itself, but we read those as required by auditing standards and to determine that they were properly presented and prepared in accordance with the government accounting standards requirements. We didn't have any issues with that representation. In addition there are certain combining schedules that are included as other supplementary information and the financial statements, that information was audited in relation to the financial statements as

[9:47:24 AM]

a whole and were found to be consistently presented in accordance with the act. The other information in the -- such as the introductory section and the statistical section are not audited but are required to be presented by management for [indiscernible]. Our responsibilities as auditors were included in our engagement letters. We've included also a -- a summary of those responsibilities in the appendix a of this presentation. I would be happy to answer questions, but I was not going to go through those details [indiscernible]. Can you move to the next slide, please. When the management produced financial statement they adopt accounting policies. This year there were no changes in accounting policies.

[Indiscernible] Delayed the

[indiscernible] As a result of the pandemic, no new

[9:48:25 AM]

accounting centers that were adopted or any changes in accounting policies. Also the preparation of financial statements entails management to make certain accounting estimates and so we've disclosed on this slide here the major accounting estimates or the significant ones and we have summarized in

appendix B basically of this report how we have addressed those estimates. But any [indiscernible] Related to pension, asset retirement obligations and then the deferred amounts for the related operations are considered accounting estimates. Management has consistently applied the policies and methods of calculating those estimates and we found them to be properly presented in accordance with the general accepted accounting principles. Next slide, please. I'm going to turn it over to Jane to go over the summary

[9:49:27 AM]

of uncorrected misstatements that were noted during the audit and those that were corrected.

>> Good morning, everybody. So during the course of our audit, we identified a new misstatements and we wanted to remind you our audit is designed to obtain reasonable and not absolute assurance that the financial statements are not materially misstated. We would like to think about the misstatements in two categories, uncorrected and corrected. Uncorrected misstatements are those that we identified in both -- and both we and management agreed they are not material to the financial statements, therefore they are not connected or contained in the financial statements that were issued. You can find a full list in appendix B. Corrected misstatements on the other hand are those that we identified and management agreed to correct them. These are incorporated into the financial statements that have been issued and management does this by way of what's called journal entries. And you can see here below that there are four journal entries that we wanted to bring to your attention, the first entry was in the airport fund.

[9:50:27 AM]

The airport had entered into an agreement where the counter party would lease

[indiscernible] At the airport and then construct various buildings and hangars on top of that land. The contract was interpreted such that the constructed assets would be essentially donated to the airport once construction completed and therefore airport recorded capital contribution revenues and then reflected as assets owned. However the sole use of those assets remained with the counter party for 30 years, therefore we determined that the city does not actually control those assets and requested that the entry be reversed. The second entry was in the water fund. There was -- I'm sorry, was there somebody who wanted to speak? Oh. Sorry. With my -- problem with my mic. The second entry that you see is with the Austin water fund. There was a large project with the Texas department of transportation that required Austin water to make a whopping \$23.8 million deposit. The deposit was originally

[9:51:28 AM]

classified as a construction in progress, but being as the project hadn't actually begun, we requested that it be classified as an other asset. The third and fourth entries shown were related to the special revenue funds, which are part of the non-major governmental fund. The third entry shown here is to correct the presentation of various interfund reimbursement and transfers between the

[indiscernible] Fund. This resulted in a increased revenue and expense -- decrease of 54 million and increases by \$48 million. The fourth entry shown here is also a fraction of the presentation item, land that is held for sale was presented as an expense rather than the current asset in the fund financial statements. Honestly, this can happen because within the governmental fund land that is not held for sale, the land that you continue to use, is classified as an expense on the fund financial statement. So he -- but in this case it

[9:52:28 AM]

was held for sale and so this reclassification essentially resulted in a decrease in expenses and increase in land held for sale for \$10.3 million. So I know I gave you a lot of detail there. Are there any questions on these entries? All right.

>> Alter: I think we'll finish the whole presentation and then we'll open it up for questions, thank you.

>> All right. If you would like to continue to the next slide, please. So we also wanted to highlight that we had no disagreements with management. Diana, Maria and their team are some of the smartest, friendliest people that we work with, they make it easy for us, we can tell they want to do the right thing. During the year they held a discussion with the governmental accounting standards form or gasbe, and a payment [indiscernible] To one of its discreted held components. We encountered no difficulties during the audit, we received the full cooperation of management and staff and had

[9:53:30 AM]

unrestricted access to the city's senior management. We also wanted to commend Diana, Maria and their team for so seamlessly transitioning with us to a remote working environment. They were already familiar with some of our innovative collaboration tools, but they really helped with the transition by managing -- being so agile and coordinating all of these meetings over teams and just being very, very, you know, forward thinking in helping us transition. But it was definitely a challenging year for all of us with the and and the ice storms, but -- and the ice storms but we all got through it successfully to be able to present to you here today. With that, we also wanted to let you know that management is required to make certain representations to us at their -- as their auditors, you can find a copy of those representations in appendix B. Finally, consistent with last year, we used

[indiscernible] As our subcontractor auditing firm to complete our audit. With that, I will hand it back to Reem to --

[9:54:31 AM]

>> Thank you. So if we can move on to the next slide, please, one thing to note, councilmembers, is during the audit, we open an understanding of

[indiscernible] Controls and the design and implementation of those controls. We do not test operating effectiveness of individual controls. However, if we identify any weaknesses that are considered to be significant deficiencies or material weaknesses, we are required to bring those -- those recommendations and issues to your attention. We have issued a separate report on internal controls that is included. I'm not sure Diana if that was included in a separate packet or in this packet, but will be provided as part of the single audit also at the end of the single audit. But in that separate report on controls, we have oured one significant deficiency that we are required to bring to your attention. And that deficiency actually relates to the adjusting

[9:55:32 AM]

entries that Jane just mentioned. You notice that there were four significant adjusting entries that were identified during the audit. All of those entries we felt that had one thing in common which is communication or coordination with the departments when they deal with unique transactions. So if a department is dealing with a unique transaction, they are required to identify basically the proper accounting and reporting of those transactions. If those transactions are not timely communicated, with the finance office or the comptroller's office, there's a risk that those transactions will not be properly accounted for on the record. So we made the recommendation of better training for the departments to timely communicate with the comptroller's office and also to probably at the end of the year to prepare some sort of analytical review to compare current year transactions to prior year

[9:56:33 AM]

transactions. Because when you do that, sometimes you identify, you know, changes that would raise questions that would lead for you to -- to identify those transactions and properly record them finally. So basically we are recommending a preventive control, if you will, which is [indiscernible] Communication and then effective control at year end for somebody to to do those comparisons. The detail of the actual finding and recommendations are included in appendix D and management responses is also included in that appendix, too. I was going to stop there and see if management wanted to respond to anything related to the finding. I know that you have included your recommendation, your corrective action and recommendation.

>> Right.



[Multiple voices].

>> So members of the committee, I wanted to let you know that management has concurred -- concurred with deloitte's recommendation, the comptroller's office is going to be scheduling

[9:57:34 AM]

regular meetings with key departments to make sure that we are staying apprised of any developments and any new transactions that might be unique or unusual for their department that way we can make sure that we're applying the appropriate accounting treatment going forward.

>> Thank you, Maria. The definition of significant deficiency and material weakness are also included in appendix D for your reference. I wanted to also highlight three other reports that will be issued or have been issued at this point. The single audit report is in progress. And -- and I will give Blake at the end a couple of minutes to kind of give you an update of where we are on that one. We have also entered our report on the passenger facility charges, these are the charges received by the report. There are compliance requirements that the city is required to comply on the spending of those charges.

[9:58:35 AM]

We completed that audit, issued the report actually last week and the audit was clean, meaning that we found out that the city complied with all of the requirements related to the passenger facility charges. In addition, there's another agreed upon procedures report that the city is required to file with the Texas commissioner on environmental quality. That report has been completed also with no findings. With that I'm going to turn it to Blake to just give us an update on the single audit.

[Multiple voices].

>> Good morning, Blake Rogers with deloitte. Can you hear me now?

>> Yes.

>> Thank you. I feel like I'm on a cell phone commercial. Apologies. We are in the progress of completing our single audit at this point. We hope to bring that to this committee in our next meeting.

[9:59:35 AM]

Right now, we are auditing nine programs, five federal programs and four state programs. Not surprising that this is a large year for compliance audits as the city received significant funding as a result of the

coronavirus aid relief and the economic security act or the cares act which makes up a bulk of the funds that we will be auditing and completing our work on and hope to present to you next month.

>> Thank you, Blake. This concludes our part of the presentation. We will be happy to answer any questions you may have.

>> Alter: Thank you, appreciate the presentation. I just wanted to clarify one thing before we go to questions. Questions and concerns that we might have, you know, to make sure that we were handling the cares act funding, that information will come to us in the single audit which we will hear in may; is that correct?

>> Yes, that's correct.

>> Alter: Great, thank you. Councilmember pool, looks like you had your hand up?

[10:00:36 AM]

>> Pool: Thanks, chair alter. I wanted to just ask staff, maybe Ms. Thomas, to given the -- the unique nature of those contracts that were found to have some exceptions on how they were journaled -- I don't know if I'm using the term right. But could you check the other contracts that we have that are unique that are along these same lines? What triggered it for me was how we are counting the land that we own at -- at the

[indiscernible] Place because it has a new use, I want to make sure that we are tracking how that's assigned appropriately in light of the findings from the audits.

>> Of course, councilmember. Interim deputy chief financial officer. Really quickly, when we see transactions that are unique, like the

[indiscernible] Place transaction, we sit down with those departments that are involved in that

[10:01:36 AM]

transaction and we -- we get all of the information that we can from them, including all contracts and agreements, and then we go back and look at the accounting standards to make sure that we are appropriately reflecting those transactions in the financials. I know that we have looked very closely at Mccaul, it was all over the newspaper and of course a big conversation in city, you know, amongst city staff about what all was going on so we wanted to make sure that we got that one right. Some of the ones that were identified here are -- are unique in a different way, you know. A lot of times when we make a -- a payment to txdot, for example, the work gets started right away and it really is just part of a construction project that we are part of. In this particular instance, the project didn't get started right away. It took a little bit longer, so the money was really just sitting with txdot for us to use later. You

know, for them to use later on the project that we are participating in. So I think in that case, there's a lot of those activities, but we are

[10:02:38 AM]

finding that -- the very innovative and creative organization and we like to do a lot of new and innovative things. So we need to make sure that we are involved in those conversations, so we can make sure that we account for them correctly. That's really what came out of this, this year, was that we had several unique transactions that occurred that we need to do a better job of reaching out. Now, we do ask every year, in a significant items questionnaire that we send to departments, have you done anything unique and special this year? So that we can make sure that we account for it correctly. But these just I think in the midst of everything that was going on, kind of fell by the wayside and really didn't get pulled up to our attention like it should. We're going to create some meetings that we have with key departments who have a tendency to have more of these unique transactions to make sure that we are getting that information that we need.

>> Pool: That's really good. Thanks so much, seems like the procedures, the processes that we have in place are actually working, including the oversight and the scrutiny and the corrections where we find

[10:03:39 AM]

that we have sort of missed something. That's great. Thank you so much.

>> You bet.

>> Alter: Any other questions, colleagues? Thank you to our comptroller's office and to our auditors. This is the audit and finance committee and one of our responsibilities is to hear these reports on the audits and to review the materials, this is the first of I think two that we generally hear in the

spring: In may we will hear the single audit, which takes particular programs and dives a little deeper into our compliance with respect to -- to those programs. We have excellent financial staff and -- and good financial standing and -- you know, that -- that work that -- that our finance staff does is part of what has helped us to weather the

[10:04:39 AM]

pandemic, and so I just want to pause here and, you know, recognize and thank our finance staff under the leadership of our chief financial officer, Ed van eenoo, for really again putting us in a position where we are able to navigate tricky waters effectively and, you know, an audit does often prove that there are

some things that you need to fix, but that's what that process is involved and those are all corrected and with a \$4 billion budget this -- these are relatively minor corrections, but ones that we know and we can learn from moving forward. Mr. Van eenoo, did you want to say something before we concluded here or were you just showing your face?

>> Just showing my face so you knew that I was hearing you and I really appreciate all of that, councilmember.

>> Alter: Great, thank you to our auditors as well.

[10:05:40 AM]

We are now going to move to item 5, which is not -- not item 5 in the order that we are doing it today, but that is the update from the mbe WBE disparate study and the -- and the mbe/wbe program presented by the small minority business resources department, I believe Mr. Campos is on? On the line? If we can move him over. Good morning, Mr. Campos, are you presenting?

>> Good morning, councilmembers. I do have some colleagues here that should be brought over as well, Tamela Saldana and Elton price.

>> Thank you.

[10:06:40 AM]

>> If we could have city hall bring up the presentation, we do appreciate you bringing us back to present.

>> Answer they have your presentation up, you can proceed.

>> Thank you for having us, my name is Edward campus, the interim director for the small minority business resources department. I am joined by Dr. Tamela Saldana, our compliance officer, also our project manager for our disparity study that she will get to in a little bit. I am joined by our certification division manager, Elton price. And we will be providing you some information related to, as I said, the disparity study as well as some information on our certification numbers and some initiatives that we're working on, at any time please stop us or we can take questions at the end.

>> Alter: I think we will take questions at the end, thank you.

[10:07:42 AM]

>> Thank you.

>> It sounds like

[indiscernible] Your presentation is -- what I'm seeing -- from the folks at city hall.

>> Okay. We sent it to them several times. I'm not sure --

>> Alter: Can they make it so you can share your screen an option?

>> That is an option, we are looking for it, we're not seeing anything on our side. So ...

>> Alter: Do you or one of your staff have it.

>> Yes, I will bring it up right now.

>> Thank you.

[10:09:31 AM]

Technology is a wonderful thing until it's not.

>> Ctm, I'm pretty sure this was in our backup, is it possible for you to pull that up from there?

>> Yes, we're working on that.

>> Looks promising, there we go.

>> Thank you for your patience, once again I'm Edward campos, the interim director.

>> Alter: If you can go into the slide view, then it will make it bigger for all of us. It's not for my view, but works, go ahead.

>> Thank you. I'll move over to -- our compliance division.

[10:10:31 AM]

Tamela Saldana will take the lead on discussing issues related to our compliance section, as well as providing an overview on where we are at with our disparate study. Tamela?

>> Thanks, Edward. Hi, I'm Tamela Saldana, I'm the compliance officer with the small and minority business resources department. I am excited to share with the committee some -- the milestones and where we are with our disparity study. We have been working hard with our disparity study consultant. We have retained Colette holt & associates, a nationally -- national renowned disparate consultant legal attorney who is assisting us through this particular process. The disparity study we have submitted all of our contract data to our consultant and I am proud to say we have reported a 96% response rate from -- for validation of our contract data by the contracting

[10:11:32 AM]

community. And I will let you guys know that this is almost unheard of. Typically you are getting a response rate at about 60% and our community contracting community came in with 96% without me sending any threatening letters or having multiple requests over and over again, so I'm really, really excited as a project manager for that. We did a series of stakeholder meetings. One in -- which is also -- should be noted as a leading -- in the industry. Our stakeholder meetings, we had over 600 participants, from a variety of -- of groups to include internal work groups for the city, our department staff who work and help us and assist us administer those programs. This m/wbe program as well as stakeholder groups that we went out to the small and minority business community,

[10:12:33 AM]

certified and uncertified. Our [indiscernible] Contractor community but also of course our industry partners, minority chambers, larger chambers, our ntas, also a specific session with our m/wbe advisory group. Also the quality of life commissions as well and did a series of introduction meetings, also a staff session internal to smbr. We have extended a large amount of input about our processes, about the barriers, about recommendations from our stakeholders. In January, I asked our team to go back and look at some of the trends that were coming in from a qualitative data and do a business survey. And they have engaged in that business survey with the consultant -- with the

[10:13:35 AM]

contracting consulting community and that did extend some of the timeline that we initially had agreed upon. But our stakeholder input sessions were superb and I'm excited to say that we had a large group of input -- a lot of input into that process. Next slide, please. Here's just an anticipated project line, as I stated before. We have already submitted in February, back in February of 2020, the qualitative contract data. We in March again started our internal stakeholder meetings where, again, we went in, educated the departments and our stakeholders internal/external about the disparity study, what it means legally, et cetera and got a significant amount of qualitative data about their concerns and their needs.

[10:14:35 AM]

We did several consultant -- currently where we are now is that our consultant is doing the data analysis of both the qualitative and quantitative data. Now, this portion, as you can imagine, produced a -- a 450 page document. And so now we're kind of in a hold pattern as they develop and analyze the data, develop the recommendations, from now until about April. What we are expecting, because we did

push back and ask for an additional qualitative data component, we are now expecting that the disparity study will be finalized in July of 2021. So we hope to come back to council sometime -- sorry? Okay. Maybe somebody came in. We are hoping to -- to come to -- before council in the fall, winter of 2021, with

[10:15:36 AM]

an rca for adoption of our disparity study. Next slide. And at this point, Edward will talk about the [indiscernible] Resolution and council resolution, what we are looking to do with the inclusive procurement work.

>> Thank you, Tamela. As you will recall, in March of 2020, council did pass a resolution asking the manager to put together a working group. There was a memo sent out in November of 2020 in response, where we outlined the four areas that we would be looking at as parts of this working group, certification, practices, best practices in general, communication and transparency issues and overall resources to our minority and women-owned businesses. We also put together a list of members to that working group that included city staff, it included our key

[10:16:37 AM]

m/wbe stakeholders to include the minority trade alliance members, minority chambers, prime and subcontractor organizations, as well as folks in the community that are business owners and are very well versed in the local program and understand the intricacies of the program, so that will make up our working group. We hope to kick this off as soon as we get the final version of the disparity study, we are looking and targeting an Austin or September start date for this working group, a lot of work to be completed in a short amount of time. Our ordinance does expire or sunset in March of 2022, so we would like to have that work completed from the working group, as well as a new ordinance for council consideration by March of that date. If there are any issues surrounding that timeframe, we will, of course, come back to council for an extension. Next slide, please. I'm going to turn this over now to Mr. Elton price, our certification division

[10:17:38 AM]

manager. Next slide, please.

>> Thank you, Edward. Good morning, councilmembers. Again, my name is Elton price, I work as the certification division manager for the small and minority business resources office. So talking specifically about certification and the requirements, the first thing that vendors who are applying for certification

must be registered in Austin finance online as a business for profit. The city of Austin only certifies for profit businesses. And these are the five major components that we look at when we receive the certification application. First and foremost, the business must be small. Any -- any certification standards that rely on size, we adhere the -- to the sba guidelines. That could be gross receipts based on a three-year average, which will increase to a five-year average in

[10:18:40 AM]

January of 2022 and, of course, the number of employees, if you are in any wholesale or selling any type of goods or commodities as it relates to your industry. The applicant must -- must be in one of the socially disadvantaged presumed groups, the city of Austin does not -- does not accept the application -- anyone can apply for the city of Austin program. But they must also -- if applying and not in these presumed groups, they must show that they have been biased against as it relates to social and economic disadvantage and -- and the American society of -- in the American society, I would say. The personal net worth of economic disadvantaged is determined by the consumer price index of the southwest. We just increased it in

[10:19:42 AM]

January and went from 1.565 million to 1.583 million for the m/wbe program. The dba program is set at 1.32 million. That is the disadvantaged business enterprise and airport concessions disadvantaged business enterprise. That particular criteria or when we are reviewing the personal net worth, there are exclusions. The personal [indiscernible] Applicant along with the assets of business seeking certification is excluded and we only look at the applicant. Texas is a community property state. But the applicant only needs to provide assets and liabilities that are specifically to the applicant. So an example would be if -- you know, if -- if it's a shared asset based on community property, then

[10:20:42 AM]

that is not listed as far as 100%. That could be listed as 50%, if the applicant actually is an owner of that asset. We also look at ownership management and control. The owner, the applicant owner must at least have 51% ownership of the company. Be involved in the management and control of that business, and we do not certify applicants that only invest in businesses and not involved in the day-to-day business process or the day-to-day management of that product. Must have experience directly related to the field that they are seeking certification in. It is very important that a part of the expertise that goes into verifying that the owner qualifies for the program is that they have that direct experience. Not just management of the



[10:21:44 AM]

company or the personnel, it has to be a part of -- a part of their resume, the site audit we conduct, contracts that we looked at. We looked at a lot of different things to verify that a qualified applicant is involved in the day-to-day operations and controls that business. Next slide, please. As of January of -- January 6 of 2020, the city of Austin moved to a certification and compliance system. We call that ccs now. But it is the -- the city of Austin's online application portal. Since the launch of the online application portal, these are the numbers that -- that relates to the number of applications approved through that portal. Now, the -- the number of

[10:22:47 AM]

applications approved for the m/wbe program and the dba program is -- may be a little bit different because we can still accept the -- the dba applications through paper because the federal regulations do -- you know, they don't -- don't allow or don't allow us to strictly have dba applicants or acdba applicants submit through an online portal. So these are the numbers that relate to the number of applicants that are submitted online since the inception of the online application, ccs, these are the total number of applications approved by staff since January of 2020. This is the approval, so all of these reports are not new applications. These were applications that dba annual reviews,

[10:23:49 AM]

recertifications, and also included new applicants as well. Next slide, please. So I wanted to -- this particular slide, I wanted to give a comparison, a snapshot of -- of paper compared to the online portal. We looked at the paper applications from January, also of 2019, until the end of the year. And we also made that, you know, the comparison to the online process. And these numbers reflect the increase in the number of applications received via the online portal since its inception and -- and -- in January of 2020. So as you can see, the number of applications staff has handled through the online portal increased drastically. Also, we are -- also the

[10:24:50 AM]

number of the denials, also. We are looking at a way to -- right now, to -- for folks for recertify. We send them 60 days notices prior to their anniversary or recertification date. So we are looking at an additional step to try to retain folks. Because most of the folks that you see decertified, the 71 number, are based

on folks who are not recertifying with the -- they may have withdrawn or sold the business or something of that nature. But for the first that are not just recertifying with us, not getting us the documents to continue their eligibility, we are looking at an additional step not only to 60 day notice, but also contacting them at 30 days via a phone call, email, to see if can he with get those folks to -- to see if we can get those folks to continue in the program.

[10:25:51 AM]

And if not finding out the reason that they decided not to continue in this program. So those are the numbers as of -- we pulled these numbers as of the end of March. And so -- so, again, I will be available if you have any questions. And next slide, please. And I --

>> We're going to talk a little bit about some strategic initiatives, thank you, Elton, I appreciate your comments on the certification numbers. Next slide, please. So we have been working on a compliance module as Elton mentioned. And Tamela mentioned as well. Lots of work still to continue. This compliance module will help us move away from something that is very paper-driven. The majority of our processes are paper-driven. We are trying to working with our internal systems out of the financial services department to try to get these as online

[10:26:54 AM]

submissions. Things like our request for change. Whenever there's a change to a contract in which there is a minority or women-owned business involved, this process we hope will be changed to an electronic process. Same for contract closeouts and as well as what we call sub-k or subcontractor participation forms. We get thousands of those a year. Between 3,000 to 5,000. Those are all paper processed, which then my staff has to go in and manually enter those individual forms and so if we can make this an online submission, that would cut down on staff time and moving them to other -- other areas that we need to concentrate on. Next slide, please. So some of the supportive services partnerships that we have been working on, one of the ones that I'm really proud of and excited to launch and will be launching this in the next couple of weeks is an online education

[10:27:54 AM]

portal for our certified vendors. Some of the things that we have heard is -- there's still a lack of educational opportunities for our certified minority and women-owned businesses, so we are going to be launching a partnership with a firm called [indiscernible] where our certified vendors will be able to log into the website and find hundreds of online webinars on how to do business with local government, state government, and the federal government and we feel that this will again allow our

firms to get more education on how to do business with not only the city of Austin, but other entities as well. These are again tailored to our m/wbe firms, government procurement training and we feel like this is going to give them an overall better understanding as they do and progress in their business and again growing capacity for our minority firms. Next slide, please.

[10:28:54 AM]

We've also engaged some customer service surveys. We have heard that -- that smbr tends to be a little dogmatic in their approach so we want to make sure that we are hearing from our customers, both internal and external. So we have launched a series of customer surveys, I believe that you have heard Mr. Price mention us reaching out to -- to those certified vendors that are no longer with the program. We want to retain all of our vendors and if there's a way that we can work with those vendors that have chosen not to reapply for certification, to bring them back into our certification roles, our survey is one way to do that as well. So we are increasing our outreach and focus to our customer base. Next slide, please. That concludes our presentation. We are ready to address any questions that you may have.

[10:29:54 AM]

>> Alter: Thank you. If you can remove the presentation so I can see folks, that would be great. Colleagues, are there any questions? Mayor Adler?

>> Mayor Adler: I just want to say that I really appreciate this presentation and the outline and the breadth of the work that's being done. We have a lot of calls from folks around the city that -- that had gotten used to the regulars -- regular council committee that was doing regular interactions with the department and -- and folks that felt like they were better up to speed with what was happening and having the ability to be able to comment. So I appreciate, chair, you putting this on the agenda, so that -- so that we can get this out. Obviously a lot of working done, a lot of progress being made. And it gives me now something that I can circulate and send to folks that feel like they are not

[10:30:55 AM]

being engaged enough so that they can raise issues. So I just appreciate the -- the effort and when we -- when we moved away from that standing committee, we had talked about having? Measure of quarterly briefing that would keep track of the activity and status and I just appreciate this being put on the agenda, thank you.

>> Alter: Thank you, mayor Adler, any other questions? I have two really quick ones if I might. About certification more broadly while you are here. We had talked I feel like at one of our last briefings, perhaps it was an individual meeting, about alternatives that we could pursue that would allow

additional businesses to become certified, for instance, adopting -- allowing if you were state certified for allowing you to qualify at the city level. I'm curious what the status

[10:31:57 AM]

of those are and how we are pursuing those tolts, I also wanted to know about the possibility of an lgbt + certification.

>> We constantly look at ways that we can have reciprocity with agencies that are closely aligned to the requirements that the city of Austin has in terms of certification. At this point, councilmember, we haven't found a -- an entry that is as rigorous as we are in terms of what we look at. I think Mr. Price did an excellent job of covering at a high level some of the five areas that we look at. Certainly that's something that makes us unique in the state of Texas is the fact that we do as a municipality have a personal net worth limit, otherwise known as an economic disadvantaged definition or status. So that is something that other entities simply do not have. As part of their local ordinance.

[10:32:57 AM]

What we do have, though, is -- when we have a firm that comes to us for certification, that we know meets the hub requirements, we do send them over and let the -- the hub director know that they are eligible for hub certification. So we do have a reciprocity agreement with the state hub program. But it comes from us to them not them to us. And we are currently working with -- with Ms. Canon, with the lgbt chamber and the purchasing office out of the financial services department to capture datasets in order for us to -- in the future, to include lgbt companies as part of a disparity study. As you know, to make any sort of change in terms of inclusion for our local ordinance, we have to have data. And so that is our first attempt to try to collect that data. And so we -- we have had two

[10:33:58 AM]

meetings so far with Ms. Canon and the purchasing office and more to come on that.

[Indiscernible].

>> Alter: Thank you I look forward to hearing more about that. If there are no -- mayor Adler? We can't hear you, mayor, you are on mute.

>> Mayor Adler: Thank you. Mr. Campos, so I understood the question about why we don't use the Texas hubs standard is because our qualification standards are stricter with respect to -- to net worth filter?

>> That's correct, Mr. Mayor, they do not have an economic disadvantage definition or test, if you will. And that would -- that would then translate to our personal net worth requirement.

>> Mayor Adler: Thank you.

>> Alter: Thank you. I wonder if there's a way to do the hub and then require them to do that particular test rather than go through the whole other process.

[10:34:59 AM]

>> I believe that there is a senate bill making its way through the process currently that is requesting a personal net worth limit for the hub program.

>> Alter: Okay. That might make it easier. Thank you all for present -- presenting and I appreciate your patience. As you can see we deal with big issues from many, many departments that we are juggling, thank you for your patience, colleagues, we are now going to move to item 3, which is discussing issues surrounding ace. And I will just ask my vice chair who I'm going to invite up to lead this discussion on to try to make this as brief as possible so we can end on time with the technical difficulties earlier we're a little bit behind where we were hoping to be at this point. But I think we should still be able to get everything done by 11:30. So vice chair pool, if you would like to introduce our

[10:35:59 AM]

speakers on this item, please, thank you.

>> Pool: That's great. Thank you chair, alter, I see that David Dodds son, who is the council for ace, inc., I see his square. We also invited the Claire and treasurer, Phillip and Ms. Thomas to be here with us today. Ms. Thomas was going to walk us through a high level discussion about ace, inc. I asked them to -- to give us an overview of what we want to -- we want to welcome them and introduce the members to the finance committee. And give them a chance to -- to talk about any updates or issues or concerns that they have. We are looking to establish a framework for regular reporting from ace on the city asset and its financial asset, for the council as a whole, to get timely notifications on important news like layoffs or major

[10:37:03 AM]

changes in the status of the assets, we do that through the audit and finance committee. We know that there are vacancies that need appointments to the ace bod and that will be work for this committee through the city manager as well. Is that Mr. Dawson, has Ms. Thomas joined us yet, is she on?

>> Mr. Dawson is the only one who has joined us.

>> Pool: Okay. I talked with Ms. Thomas last night. And she was prepared to be here. Oh, here -- she says she just texted me. Do you know how much longer before I am admitted. So -- good old technical difficulties.

[10:38:35 AM]

Maybe I can send you her cell phone number so you guys can call and hook her up.

>> She needs to call the webex number.

[10:40:14 AM]

>> Pool: She says she is on the link. Corey, I'm sending you her contact. Meanwhile, Mr. Dawson, either we can talk with Mr. Dawson so that we don't get further behind or councilmember alter if you want to take up -- take up another -- another topic? I think that would be -- that would be maybe a good idea? I'm going to leave it to tech to get in touch with Ms. Thomas, I have sent her cell phone over to our city auditor. To make that connection. She says she's been waiting since 9:30. So ...

[Multiple voices]

>> Sorry, I just sent that information to -- to the person from my office who is sitting -- [multiple voices]

>> Pool: It looks like she didn't punch the join event. Looks like she didn't punch

[10:41:15 AM]

join event.

>> Alter: While she's doing that, maybe we can quickly take up at least -- since that doesn't sound like it will take too long, let's take up identifying items to be discussed at future meetings. Quickly. So Corey, if you want to speak to that briefly?

>> Certainly. At this point, I can't name exactly what's coming in may versus June, we have a couple of items, audit items that may be ready. Not for may but June. In may we discussed having the wildfire audit follow-up related to the -- really the departments involved in the wildfire audit from 2019 to come back and provide an update. I believe you had also requested a procurement update from financial services. We may have the single audit or that may be in June. Financial services will know better on that one. And I believe that is the -- that is the list. I can -- I can double check

[10:42:17 AM]

that. But --

>> Alter: Thank you, corrie I appreciate that. Looks like Ms. Thomas is on, I will add one last thing to this last item which is that -- that I may be interested in looking at -- at homeland security and emergency management funding on how our conversations go in our other working groups. I think there's a lot to dive in there and I don't know whether we will get to enough of it during our other work sexes. Councilmember tovo, did you -- other work sessions.

>> I think that you moved the winter storm audit to future items as well, I just wanted to comments that I thought that this scope -- looked good and if we needed to -- I don't think we need to approve that today, but I wanted to provide the auditor with the feedback that looks like an appropriate -- an appropriate -- avenue of exploration and I would just add that -- that I'm hopeful too that you are going to look at communications among leadership and -- and not just city leadership, but --

[10:43:19 AM]

not just those involved in the eoc, direct links but also communications with -- directly, but also communications with council.

>> Alter: I didn't mean to move that off. If we have time we will still discuss that briefly. At the end I might have said the wrong number because I'm bouncing all over --

>> Tovo: That's what I had to say about it. I'm done for today unless somebody else has something to say --

>> Alter: Councilmember Kelly?

>> We're talking about future items, correct? I had to step off. I would like to move that purchasing set [indiscernible] To address exemptions allowed by aph and how those rules and exemptions provided are being clarified to aph staff, I think that would be helpful for us.

>> Alter: Councilmember Kelly maybe your staff can work with my staff and maybe fashion that to have something they can come speak on. We will have staff come talk to us about the procurement

[10:44:19 AM]

policy, maybe good we can combine those together, not the same thing, but the same staff, so maybe we can combine those. Thank you. So it looks like Ms. Thomas is here, thank you so much for joining us,

sorry about the technical difficulties, it seems to be just one of those days for this committee as well. And everyone on so you're welcome and thank you guys, thank you all of the -- of the board directors who are here for us with this service on this board. I know that it's a lot of work and we really appreciate it. I will let council member to take it from here. We can't hear you, Leslie.

>> Pool: Thank you so much, miss Thomas, and thank you for being here today and we recognized already Mr. Dawson who is the legal counsel to ace inc and you have any other members of the board?

>> I believe that there's one in the waiting room.

>> Pool: Okay, we will bring him along. So I'm really happy that you guys are here today to talk

[10:45:21 AM]

about ace and a chance to meet the members of the audit and finance committee and you can tell us a bit about ace. It's a really valuable civic asset, your role in it as a member of the appointed board is equally as important, and we really value your work for us as volunteers with the city. And we're interested in supporting the work that you all are doing. We'd like to know the status of the bond, how that debt is going. How you're doing financially and operationally with regard to covid and coming out of covid. And I think that we'll talk a little bit about setting up regular communications with council by way of this committee and how grateful we are for your participation. And then most importantly the need for council to appoint two new board members with the heavy lift that is the board work that you do.

>> You are saying all of my happy words right now. So I just want to thank you all so much for including us in this meeting. And I want to apologize for my

[10:46:24 AM]

technical incompetencies. It seems that I didn't know how to click the button "Join meeting" and I have been waiting here for over an hour, what's going on. So I just want to apologize in advance. Clearly, I did -- and it's funny because I use webex all the time for work except it's just right there. I think that it's because I tried to join it from my work webex and that didn't work, so --

>> Pool: That's fine. It happens to us as well. So, here we are. Talk to us about the work of the board.

>> Well, I want to say thank you again. You know, it's been a great learning experience for all of us. Philip, sherry and I have not known each other at all before we all accepted the request from council for us to join the board. And it's been wonderful to get to know them and to learn more about it, and we all entered into the role, um, with, you know, very limited information

[10:47:25 AM]



but a strong desire to help and to support our community in the best way that we could. All of us clearly having a very good understanding about fiduciary responsibilities and recognizing that this is a city asset. So for us there were some primary things that were of the utmost importance for us. One was with regards to transparency. Two, with regards to the protection of the asset and upholding our fiduciary responsibilities. And three, volunteers, all joined at the bequest of city couple. Unfortunately, at the start of our tenure, the legacy people that had been on the board, unfortunately due to circumstances that existed, and so we came in without much information. I want to say thank you especially to our consultants and staff to be able to help to bring us on board, to give us the information in order to be effective leaders. I especially want to thank Philip for his leadership as our chair. I have been serving as the

[10:48:27 AM]

secretary/treasurer. As I think that some of y'all know, I serve on a couple of commissions and boards for the city, and this has definitely been like the heaviest lifting in terms of just getting in there, and having such regular cadence and meetings and really being on point. But it's been an exciting opportunity. I believe that our staff shared with you a powerpoint presentation. That information is also on the ace website. I don't know if y'all know about the ace website, but that was one of the things that we as a board especially wanted to make sure that everything that we were doing was transparent for anybody out in the public to be able to see the documents, see the minutes, see when we're meeting, join us for meetings. And it would be lovely to have our first, you know, our first communications. We keep hoping everything meeting that we get somebody to join in and to participate. So far it hasn't happened yet, but hopefully with this forum it will encourage others to engage and to participate with us

[10:49:28 AM]

because, you know, we all actually genuinely enjoy that. So just for your information the website is [www.austinconventionenterprises.com](http://www.austinconventionenterprises.com) and if you want to get to the corporate documents go corporate/documents and you can find the history about ace and its role in supporting the tourism industry and the convention center. And it's also -- we put all of our updates -- everything that we have sent to the council for the last 12 months has been posted there. Also our notices and our bond information, all of that information is on the website. So just that background. So our role as board members, our primary role, is to protect the asset, to set the financials and capital renewal policy, to approve all contracts and as of June 2020 by-laws amendment, to hire a president. Ace handles the financial and

[10:50:30 AM]

administrative aspects of the project, but we don't actually manage the hotel operations. We have a hotel management agreement with Hilton so they're the ones managing the hotel and managing the day-to-day operations. We're more concerned about the whole asset and the whole building. We also have an independent tourism industry consultant that works with us to ensure -- and that works with us and the Hilton team -- to ensure that they're meeting all of their obligation under our management agreement. And as is required by the bond indenture. As you know, the bond came into being -- the hotel came into being in 2000, and it's been in existence since. The ace board -- we do not exist to advise council on policy, like the commissions that I sit on. You know, like with civil service, we do rulings with my construction advisory committee and we provide advice to the

[10:51:30 AM]

departments, the council, on where we think, you know, improvements could be made or, you know, giveatta-boys to the great staff that are doing amazing work for our city. We're here to protect this public asset through a non-profit corporate entity, which is legally distinct from the city. You will notice that some information about this on the slide of the presentation. We're actually a non-profit public facility corporation. So it's not like a department or a commission of the city of Austin. It was graded by the city as a bankruptcy remote entity. So what this means is that in good times, this property is able to generate in excess of, you know, excess revenues over and about \$2 million a year that is sent back to the city. \$2 million is the maximum defined in the bond indenture. Pre-pandemic, the ace boards had preserved the excess revenues

[10:52:32 AM]

over \$2 million and that's been a huge reason as to why we have been able to weather this peand so successfully. You know, pandemic has been hard and it's hit the hotel industry significantly. And not just here locally or in the state, nationally, worldwide. So unlike other city assets the ace bond indenture -- it's not backed by the debt of any city funds from any city department. Ace is actually unique in that it operates also with a condo association, adding an additional level of complexity to the administration of this project. You will find more information in the slide deck on page 10. That has the ace structure information in it. Page 11 gives you more information about the condo structure. And then page 12 actually identifies the disclosure language regarding our series

[10:53:32 AM]

2019-7 bonds which will never be considered -- sorry, my pronunciation skills are not on point this morning, probably because I ran out of water waiting, but, you know, I ramble. Everyone knows this. But there's also no general obligation to the city. All liabilities are wrapped in the indenture. So it's all self-contained in that bond indenture. Neither the good faith and the credit or the taxing power of the city is pledged in any way to the payments of this bond debt, or interest. Also -- and you can find that information on slide 12 of the presentation. Sorry, I keep looking to see if my camera is here and y'all's faces are over here, and I am trying to keep contact. You will also find on page -- slide 23 -- you've got some information about the pandemic's impact on the asset performance,

[10:54:32 AM]

especially from the full duration of timeline.

>> For those who may not have that in front of us, could you give us detail on the impact of covid on your finances.

>> So, clearly, just like all of the other hotels, you know, our revenues were going really, really well. Then you had covid-19. And now the good thing is that we have, as our last board meeting, there's been a slight increase back. There was some improvement with holiday traffic, spring break, and we have seen more improvement -- at least the Hilton has seen more improvement, especially on the weekend and like staycation travel, more drive-in rather than fly-in. We haven't seen the return to the business travelers yet and we're hoping that will continue as rec and park continues to increase. But you can also find the powerpoint presentation on the website as well and I can make sure that our staff gets it to y'all, but essentially it's been like this roller coaster.

[10:55:32 AM]

And it was like a steep decline in that 2019 era. Sorry, I'm a little animated. But slide 23 provides you that information about the impact. With regards to the current status of the bond -- and sorry, if y'all have any questions feel free to interrupt us.

>> Pool: We'll take the questions at the end.

>> Okay, I have to go off my bullet point list of things that I want to make sure that I cover so y'all have as much information as I can provide you. So we have been able to continue to meet all of our bond obligations through the pandemic. So despite the devastation to the hotel and tourism industry, we have still been able to write it. We did a lot of figures for responsibility to make sure that we did as the treasurer and I was especially involved with regards to our budget and making sure that we did a very conservative budget. We wanted to make sure, again,

[10:56:33 AM]

that we're protecting the asset. The biggest heartache and anguish for us is to make sure that we protect this asset. Because we, as citizens of Austin, know our fiduciary responsibilities. You will find on slide 16 our current up-to-date as of yesterday where the current levels are with regards to our reserves. So all of the financials are right there on slide 16. Future looking financial scenarios have been prepared and we publish them to that msrb by our ace president, which were reviewed by standard & poors and the investment community and have maintained a relatively speaking positive outlook, which we're really proud about. And posting to msrb is a requirement of the bond and of federal regulations. So, of course, we did our postings. We do our -- sherry is really our bond expert, so it's really good about this amazing team

[10:57:34 AM]

that y'all assembled. As you got sherry who is like this bond expert, you have myself from the construction background and really more of a fiduciary money type of look. And then you've got Philip who is handling like the litigation and the heavy entanglement stuff. So I just want to applaud y'all for like finding the right volunteers to step up into this role, because I don't think that any of us could have done this on our own for sure. But this was a good team. Clearly, we still need two more people, so I'm begging y'all to please fill those seats with other additional resources that can help round out our supplemental expertise so that we're each kind of tackling one thing. And then that burden is not on any one of us as being the person with the most knowledge about it. It's really, really helpful.

>> It's a really important point

[10:58:35 AM]

and I point out to my colleagues that we have had -- what we don't have now as a member of the board but we did previously was someone from staff with financial and/or budget expertise. And I think that will also -- if we're able to fill one or both of those slots from staff to make up that expertise, then we will also be able to reconnect the communications between the board with it and the oversight of this asset directly back to our operations here because we'll have that staff liaison and experience.

>> And I would also appreciate if you could bring on someone with some hotel experience so that way they could, you know, relay to us in executive session if what we're hearing is right or not just because, you know, we don't each have that expertise. It's nice when we especially in

[10:59:35 AM]

the executive session, like, we can bring in our outside knowledge to be like, okay, yeah, that rings true to everything that I'm seeing, it rings true to what the industry is saying. It helps us to maintain that level of reassurance that, yes, we are doing the right thing, we're able -- we're looking at it, not just on a granular individual level by topic-by-topic, but also looking at the asset fully. I think that is what has been really nice about this board experience, because we've got so many great talents within the board make-up that help to offset -- you know, again, it's been a little bit of a heavy lift. To be candid.

>> Thank you so much.

>> Pool: We have about 10 more minutes with this item and I wanted to leave time for councilmembers who may have some specific questions, and also an

[11:00:37 AM]

opportunity for both the chair and your legal counsel Mr. Dawson, should either of them have anything that they would like to contribute.

>> I do have a few more items that I just wanted to report back to y'all if that's okay. But if you have questions, again, feel free to interrupt. I kind of have diarrhea of the mouth.

>> Pool: Finish up then, we're just trying to stay on time.

>> No, I appreciate that completely. If you know anybody in civil service commission they will tell you that.

>> Pool: That's great, thanks.

>> So, again, we also do public postings including our quarterly financials which are on the ace website. Given the reserves and the better-than-expected occupancy that has already happened we are cautiously optimistic. Industry experts agree that our bonds are secure, even in the worst case scenarios. Only our B tier bonds are at risk and then not until July 2022.

[11:01:37 AM]

And even modest economic recovery eliminates that risk. From our last board meeting it appears that the hotel industry is rebounding with the data that we have received. And how we're doing operationally during covid? Clearly, 2020 was the worst year but it's started to turn around. You will find in slide 20 our revenue and operating revenue from 2008 to 2020 on slide 21. You can find the pandemic impact on the hotel industry broadly. And then on slide 22, you are going to find the historic 12-month hotel information. Our hotel operator, Hilton, has a great industry-led protection program through their ever ready programs. I have stated other properties that have experienced it and I have to say that it's very reassuring visit as a traveler. Additionally, the layoffs and furloughs that occurred in 2020, um, there were layoffs that

[11:02:39 AM]

occurred, but it looked -- and that's also what triggered why we came to y'all asking for consent with regards to the P.P.E. Loans. I do want to advise all of y'all that our bondholders approved it in April, and we actually received funding in the bank this week. So we still are all -- we're going to be using 100% of those dollars to bring back our frontline hotel workers and the hotel has already been given that notice about the funds being received, so they're already working through that process of bringing back those employees. Again, the primary thing they wanted to just remind y'all is we have -- for the three of us, it was really important to be transparent and to have that information available to everybody. If it would help this committee, I can also make sure that when staff does the posting to our website they also send a copy to y'all so that way you have it. And then your staff doesn't have to go to the website.

[11:03:39 AM]

It just kind of saves your staff a little bit of time, because my staff is already doing posting and they can just shoot y'all an email at the same time and that might help to reassure y'all what we're doing on the city's behalf. So, again, thank you again for joining me and the plead for two additional board members, pretty please. We would love the help. I would love to not be stressed out about this.

>> Pool: So before questions, Mr. Dawson, and Mr. Shantz, do you have anything to add briefly?

>> Thank you all for the opportunity to be here. About the only one thing they wanted to add is thank you johsna for a terrific presentation and taking the show while I was having my own technical issues. And so thank you so much. And it's been a great experience, and I enjoy working with johsna and so I can only

[11:04:40 AM]

echo what she said. And we will talk. And hi, johsna.

>> It's good to see you, Philip. And that's the one thing when there's only three of us on the board, we can never talk to each other individually. Executive session. So it's just -- it's nice to -- and, clearly, we're in a pandemic. So nobody is hanging out. So it's just nice to be able to build relationships with other members of our community because sherry, Philip and I had never met each other before, and it's so nice --

>> Pool: It's super, it is super, yeah. Mr. Dawson, is there anything?

>> I really don't have anything to add. I think that johsna did a fantastic job of describing the history and the current issues that we're facing. I'm happy to ask questions of a technical or a legal nature, but other than that I am good.

[11:05:40 AM]

Thank you.

>> Pool: I think that is great. Let's move into that, and I think that mayor Adler may have a question, and maybe councilmember Kelly, okay -- and I see that councilmember tovo as well. So we'll start with the mayor.

>> Mayor Adler: Just real fast, I wanted to thank you guys for this service. This is not an easy board to be on, and an incredibly hard time to be on this kind of a board. And, yes, it's incumbent upon us to get you the -- to get you help and assistance. I just want to say thank you and I think that you guys are doing a really good job.

>> Thank you.

>> Pool: Councilmember Kelly, did you have anything --

>> Kelly: I just had a couple remarks. I was putting ice in my drink, sorry, I apologize for the delay there. I just want to say that I'm thankful to be part of the work that this group does. And to to have efficiency in our spending, so today I welcome the collaboration that we're embarking on and the future regular reporting that we'll be

[11:06:40 AM]

receiving. I also want to say that I appreciate the board members at ace and the work towards their good work at this asset. Thank you.

>> Pool: Councilmember tovo.

>> Tovo: Thank you. That was a great presentation and overview, and I really appreciate -- I appreciate the information. I also appreciate the fact that the minutes and other materials are now online. I haven't looked at them probably in a month, but I have looked at them in the time that you have gotten them up there and that's really a great resource. I'm not sure who this particular question is really best addressed to. In some ways it's also a question for our city staff, but, miss Thomas, you talked about the history and you may have an answer to this -- do you have any sense in looking backward at the organization why

-- why the board was created? You know, and you're probably aware from your experience with the city and different commissions that in some cases the city council is actually the board of different city assets,

[11:07:43 AM]

including, like the Austin housing finance corporation. I forget the name of whatever the industrial corporation is and the airport and some of the other -- the Mueller board. So I'm not -- I'm not entirely sure. You guys are doing a fabulous job and I'm glad that you're there protecting the financial -- this financial asset, but I'm not understanding -- kind as we look at these different kind of board structures, and councilmember pool I know that you're interested in that at looking at the consistency across them all. I'm just wondering, miss Thomas, if you have an understanding why this board was set up in the way that it was?

>> Yes, so from what I understand and I will just be candid with y'all, you know, we joined at the end of 2019, and so first thing Philip and I did okay, Davis, can you give us a binder with all of this information so that we can learn. The primary things that I think that answer that question are, one, we're a non-profit public facility corporation.

[11:08:44 AM]

So we're not an entity under the city of Austin. And we were created by the city as a bankruptcy remote entity. Again, so that means no city assets, no city liabilities, no use of the city's good faith and credit were applied for this. I think that is why the city council isn't on it, but, instead, appoints the board members and so it's a quasi government entity in that we're entrusted to protect this asset to continue to be a good revenue stream for the city. And at whatever point y'all want to get rid -- we don't recommend now because we would not do well with it because -- yeah -- but it's -- it's in good times, it's a very profitable asset. It just ensures a nice steady

[11:09:44 AM]

stream of cash that then the city can use for its purposes. But I think that it's because of that technicality, and David can probably speak more to that in detail, but you will find that information on slide 8 of the presentation. Again, I want to remind you that the disclosure language with regards to the bond is on slide 12 of the presentation. And you can find that on the Austin convention enterprise's website, with the documents. You can find the powerpoint presentation on the website with those specific page numbers. But it's got the language in there and so I think that might help to answer your



question. And if you have follow-up, I mean, I don't know if you really want to receive the whole, but we can probably send you a copy of it because it's a public document.

>> Tovo: I may actually have it in my file there, yeah, thank you, thank you for that info. And let's see, you had -- so

[11:10:46 AM]

when we did the question and answer for the loan in our council agenda, I had this information but no longer do. Can you remind how many -- how many employees at the Hilton were furloughed -- hundreds as I recall?

>> It was definitely hundreds. I don't remember the exact number. I didn't prepare that, but I'm sure they could get staff or the hit ton to give me that number.

>> Tovo: Yeah, I can find that in my records. Do you have a sense with the loan how many will be able to come back onboard?

>> I anticipated pretty most of them that are wanting to come back would be coming back.

>> Tovo: Okay, great, thank you. That's very helpful.

>> Because that was kind of the intent behind getting it was to ensure that we could get -- bring back that workforce.

>> And to continue to compensate the ones who are still on staff,

[11:11:47 AM]

right?

>> Yes.

>> Tovo: I have a couple other questions, but I know that we're probably at time. So I think that I'll leave it there for the moment.

>> Pool: Thank you, councilmember tovo. Councilmember tovo, did you have anything else you wanted to ask? Councilmember alter?

>> Alter: No, I don't have any questions. I just want to, again, thank our board members. I do have a question for you councilmember pool. We are not posted to take action but I was wondering if you wanted to provide any direction to staff with regard to the two open appointments and they could come back to full council with.

>> Pool: I do. And I think that I saw councilmember mayor pro tem hand up? Any other questions for this team? So to the staff and -- we would like to amplify and emphasize the need to fill the two

[11:12:49 AM]

specific vacancies that are on this board. And to that end if we could engage the city manager in that discussion and also the potential of outside candidate possibilities, that would be really be great. And as soon as possible. That would be the action. It's not a vote, obviously, but an action assignment for staff. And thank you for the time.

>> And I just want to say thank you again for giving us this opportunity. It's nice to -- honestly it's just nice seeing people's faces, it really is.

>> Pool: Well, thank you y'all for joining us and we have about 15 more minutes and we'll move on with the rest of the meeting. Colleagues, we have two items left, the scope for the disaster response audit and the convention center financial review questions. I think that we're going to take -- scope for the disaster response audit first.

[11:13:49 AM]

And then councilmember tovo can ask any questions that we have in our remaining time with respect to the convention center. There was back-up for this scope, I don't know if we need a presentation. Does anyone want that presentation provided? Okay. Councilmember tovo spoke earlier that she was comfortable with the audit approach at this time. I'll let the auditor speak briefly to that as well. Go ahead, corrie.

>> Great, and also on screen is Maria Stroth. I have forgotten Maria's last name for a minute, though we have worked together. But Maria Stroth is here and she's the lead and Katie Houston is not on screen but listening to us and she's the manager of this, just so that you may have already had contact with them, but just so that you know who our team is. In terms of the presentation, the slides pretty much cover it. You did, councilmember tovo, you mentioned the piece about

[11:14:51 AM]

basically are we covering -- what communications are we planning to cover. And when we go through the laundry list, yes, we definitely plan to cover communications within the city, with council, with external entities, including those coming through council offices. We're happy to answer other questions. We're okay without the powerpoint I think. Councilmember alter, you are muted I think.

>> Alter: Thank you. Does Katie or Marie want to say anything? We're not trying to keep you from speaking, but your powerpoint was pretty straightforward and, um, just in the interest of time. But I did want to give you a chance if there's anything else that you wanted to share with us before we move on.

>> I think that the slides looked good, thank you.

[11:15:51 AM]

>> Alter: Great. Does anyone have any questions or comments or concerns. Councilmember tovo?

>> Tovo: Just a thank you. And I think that this will be really important work and I appreciate you taking this on and coming up with a scope that I think that will be extremely valuable and also manageable. So thanks again.

>> Alter: Okay, thank you. So we will now move to our -- I believe our last item, which is the convention center financial review special report, which was originally requested by councilmember pool and councilmember kitchen. And councilmember tovo requested that we put that on our agenda so that she could ask some questions and, obviously, if anyone else has some questions, they are welcome to join us. So I'm not sure -- it looks like Trish is moving over and Rodney Gonzalez, and it looks like Katie mesnick is here as well.

[11:16:53 AM]

So, Kathie, did you want to just ask questions or them to?

>> Tovo: I do have questions and I know that some of my cool colleagues do too. Some are for the auditor but I think that they're all quick ones so I'll rapid fire them. Can someone please tell me what -- can you please describe the difference between contractor revenue and facility revenue?

>> Just a quick intro for my team, they have Sharma also on, and so if it's a convention center question --

>> Tovo: My guess is that you all could answer that question but I can't because I don't understand the difference between contractor revenue and facility revenue.

>> Councilmember, yes, thank you. So contractor revenue is the revenue generated from our beverage and also from our

[11:17:54 AM]

contracts with lighting contracts as well. So those have restrictions around them as part of the negotiating contracts that we have. And then the facility revenue relates to the actual rental of the building when events come in.

>> Tovo: Okay, Katie, thanks. So the revenue comes -- okay, that makes -- that makes great sense. Thank you so much. And just -- this is just a weird question, but the scrap sales, do you have a sense of how much that amounts to? It's included within the other and I'm just wondering, one, what those are and, two, how much that amounts to? And you can get back to me if you don't have an answer for that now but I'm thinking, like, if it's tables and chairs and things like that, are those -- are those being made available to the rest of the city? So that's just -- that's not a tremendously relevant question to the bigger picture here, I'm just interested to know if you

[11:18:54 AM]

can follow-up if you don't have an answer right now.

>> Absolutely. And just looking at our summary it looks it was about \$2,500.

>> Councilmember, it's typically materials left over from shows that are not recyclable or recyclable through scrap metal and it's rather insignificant.

>> Tovo: There wasn't a dollar figure attached in the audit so I wasn't sure how much that accounted for. So the parking fees identified on the pie chart in the summary under "What we've learned" indicate that -- are listed as 4% of the total revenue. And are those parking fees -- are you able to track how much of those parking fees are attributable to -- never mind that question for now. Okay. I think the -- I think that the bigger questions that I have deal with the fund and I want to just thank you the auditor for helping and to thank the

[11:19:55 AM]

convention center. I have sat with all of you on this call from the convention center multiple times trying to understand the different funds and the fund summaries and the flow of funds. And it's just super confusing. So some of the questions that I'm asking that I'm sure are ones that you have covered, and I will just apologize in advance for not having it embedded in my brain in a way that allows me to always follow it completely. So I think that these are questions for the auditor. On page 4, you've included some helpful pie charts and then some helpful charts later that show the flow of funding. And I want to be sure that I'm just understanding your assertions here. So we've got \$559 million of outgoing funds. What you are describing as "Outgoing funds." And transfers to other funds ranged from \$71 million to \$601

[11:21:00 AM]

million. Could the auditor who did this explain whether the 71 to 106 is in addition to 559 or is a sub-set of 559?

>> We can't hear you.

>> And the 559 is the total funds for six years. And that is a range between 71 million to \$106 million. If you look at the appendix 1, it divides that in the formation of this range. In the report, it's on page -- it's on page 8.

>> Tovo: I'm sorry.

[11:22:01 AM]

I'm still not understanding -- oh, oh, okay, I didn't read that sentence properly. Okay. And so as I understand the chart, and I think that your chart really helped -- it's super helpful in showing that -- with regard to the revenue that comes in, it all eventually flows to the convention center capital fund.

>> Yes.

>> Tovo: To the extent that there are -- I mean, from the bulk of it comes from the hotel/motel occupancy tax, because in effect we don't cover the expense of putting on conventions with convention center revenue, from what I remember from previous conversations.

>> Yeah, that's correct. This report is only for Austin convention center. And we excluded the other functions of other businesses of

[11:23:02 AM]

the Austin convention center department, which includes like parking garages and also there's one more -- and also, like, the department centers. So we scoped that. The -- so we scope it out and we just focus on the convention center and what revenue flows through that.

>> Tovo: Okay. But I want to back up real quick on your question -- you mentioned the capital fund, is that right? I saw Katie shaking her head? Katie, did you want --

>> If I look at page 9, it looks like the convention -- that all of -- all of -- all of the -- in addition to the revenue from hud going to the convention center, they all eventually flow if there are excess funds, all flow

[11:24:03 AM]

to the convention center capital fund. There's a direct link from the convention center operating fund, there's transfers to the capital fund as needed, and the convention center tax fund, it's all funds that it looks like flow to the convention center capital fund.

>> The fund balances, if there are any at the end of each fiscal year, yes, will flow to the capital fund created by the city council in 2018, that is correct. But it is not all revenues, it is just whatever is the fund balance in those funds at the end of each fiscal year. And so in the case of the operating budget, it would just be hotel tax.

>> Tovo: So I think my big question is -- is the one that the auditor noted on page -- and by the way, thank you councilmember pool and councilmember kitchen for requesting this audit because it really does I think present the information in a slightly

[11:25:04 AM]

different way than we've had it before and it was very useful. And thank you to the auditor's office for doing it. On page 6, the conclusion that -- that the auditor came to -- or the information they've provided, is that -- that our convention center does not separate or spends unrestricted revenue first before spending the restricted revenue. I guess that I really -- this is really a question for the convention center, why would we do that when so much of the funding that comes to the convention center is restricted and has, you know, has pretty stringent restrictions. And I think that this is going to get to the question that I have more generally about the legacy historic preservation funding that existed within the convention center reserves and we've been going -- you know, we've had various conversations with those of you at the convention center about -- about

[11:26:05 AM]

why that was spent first in essence. I think that this may get to the answer about why that is. So the convention center staff, could you help us to understand why you would spend the unrestricted revenue first, when it's such a small portion of your budget in terms of revenue coming in.

>> So, yes, and we actually do need to provide a point of clarification on that as we were kind of doing our review. It seems that there were some things that got lost in translation as there were a bunch of different folks that touched this item. So when we were first going through this our department interpreted unrestricted as non-hotel tax revenue. So that's what has sort of followed through on the chart. Because of the way that the hotel tax comes in and the flow of funds associated with our covenant, and it goes to maintain and to fund the reserves associated with the debt, and then it can be spent on convention center uses, not covered by other revenues.

[11:27:05 AM]

So it is not that we're spending our unrestricted revenue first, it's that we're technically spending our non-hotel tax revenue first because of that flow of funds. So -- again, it goes back to the fee for cost of service and our the fees that we charge so that the facility rental and the contractor revenue, all of those things, that is what is spent first. While you are correct, all of our revenue -- the vast majority of our revenue -- is incredibly restrictive. It just happens to be different levels of restrictions throughout. So that was, you know, I think that it created confusion and we apologize for that. But we follow what the accounting principles of the city require. And Diana can probably speak to that if we need anymore clarification.

>> Tovo: Yeah, I do need more clarification on that because, again, I think that the rental fees that are coming in, though they're not enough to cover the costs, are unrestricted funds in essence, right?

>> No, they are not. They're still restricted because

[11:28:07 AM]

we -- they are fees that we charge and I think that the department -- I thought that they were getting onboard, but we're allowed to charge the fee but we can't chart that fee and then use the revenue from that fee which would be the facility rental revenue and use it for something else. It has to go back to the thing which you charged the fee. I think that has been communicated in legal memos, and we can get back with the department to have that recapped if you like. But it is not unrestricted

>> So I was coming at this from your perspective, councilmember, just knowing that this is a confusing area and really my team was able to dig in a bit and the convention center staff were super helpful to help us to understand this. But I guess that the simplest explanation for me that helps a bit with the restricted/unrestricted, and, Katie, correct me if I'm incorrect on this, but we track

[11:29:09 AM]

the money into different pots, right. Whatever that source of the money is. It's when it gets into the convention center operating funds that that tracking is not -- let's say as evident or maybe tied to a specific event, and so it's to tease out once it gets into that -- once it gets into operations. Katie, was that a --

>> Yeah, I mean, when it enters our operating budget, it is allowed to be spent on the operations of the convention center. And so, therefore -- and Diana jump in as well as I'm not an accountant -- you know, there is -- it would create complexities for us to separate it out in that way. And we kind of looked at some of the budgets of the other cities and didn't really see that they were reporting out any differently

than we were from their operating budget. It's just that each of these cities is a little bit different, you know, San Antonio has the Alamo dome, and so

[11:30:09 AM]

they've got -- they're still separating. But, corrie is correct, we track our restricted revenue and it's tracked separately. It's just at the bottom of the fund when's it enters the convention center operating budget that we put it all together, because it's all going towards the operations of the convention center.

>> Tovo: I have a question on that.

>> Go ahead.

>> And go back to councilmember tovo, but I wanted to dig in on that because the funds are differentiated before they're coming out in operations. So my question is -- what are the directions surrounding that money that puts them into the operations budget? Can they be used for -- must they be assigned to the operations budget when they first enter into the accounting system for the convention center?

[11:31:09 AM]

>> So I -- this is Diana Thomas, interim deputy chief financial officer. I can speak a little bit to the flow of funds. So when we received the hotel occupancy tax from the customers, we allocate that based on the city's ordinance. So whatever that ordinance says at that time, you know, before we implemented the 2% expansion, we had, you know, 9% that was being collected in total, 2% was associated with the venue. So we break that up based on the way that the ordinance tells us to distribute those funds. And so at that point -- and now, you know, we give 4.5 cents as described in the presentation, to the convention center and that flows into their tax fund. Then it's utilized as Katy mentioned to meet the bond requirements before it moves into the convention center operating fund.

>> Pool: So is the answer then yes, the ordinance requires that

[11:32:10 AM]

particular revenue stream to be deposited into the operations fund?

>> I have to go back and review. The ordinance tells us how to split it. It tells us what amount to put in the convention center tax fund --



>> Pool: And which sources?

>> Right.

>> Pool: And I can take this off-line. We have gotten different interventions and different flow charts. I'm concerned that the interpretation of restricted versus unrestricted was not caught before now so that it could be messaged out into the community. Because there were some -- were some press coverage on the restricted and unrestricted and I don't think that we have reached them on that. So it feels like that question should have been addressed before the special audit was sent back out to us. But I'm happy to take the finance flow questions off-line because like some of my colleagues on the dais, I'm

[11:33:10 AM]

still not certain how it's working. I have seen a number of different information on it and we need to get a little better centered on that. I will hand it back to councilmember tovo, thank you for letting me jump in.

>> Tovo: I didn't want to monopolize it because I know that others have questions too. I think that I will just flag that I think -- I also need to take some of this off the dais, but eventually it has to be back on the dais. I have requested an executive session that we've had to postpone several times, but I just want to highlight -- we've all talked together and probably independently about the legacy funding for historic preservation. This audit didn't really look at -- at that element of the convention center funding. The last time -- it's my understanding from my conversations with the convention center funding that some of that legacy funding -- the money that we could have put into historic preservation if we

[11:34:12 AM]

had done -- if we -- if you look at a full 15% those past years. I have received word that that funding is no longer available because the convention center uses a first in, first out funding model. Which may or may not relate to this conversation around unrestricted and restricted funding. I can't make it match up in my head. But basically some funding that

-- that in my opinion should be available for historic preservation funding, and, thus, acquisitions. We are being told that it's not available for such, because it's been spent, because they spent these -- the accounting principle to spend the money that comes in first. So I think that it is a question -- I will just highlight it and I don't think we have time to get into it, but it's a question for our whole dais because it impacts the historic preservation dollars that we have available for us and we have a need for

[11:35:13 AM]

acquisition funding right now. So that accounting principle is one that we need to take up as a matter of policy. Again, it may or may not relate to this, I can't make it match up completely in my head.

>> Thank you, I think that these are important questions, and councilmember pool, you may be the last question here so that we can end this meeting, go ahead.

>> Pool: So I wanted to just get a quick answer from either Diana Thomas or those on here with us, someone from finance, to address how easy or how hard it might be to track restricted and unrestricted funds through these accounts?

>> So I think in general really quickly -- what we would look at is as the money flows into the convention center, we would look to see if there are any items that the tax cannot cover, expenditures in the convention center operations that cannot be covered by hotel tax? And if there are, they are covered by the other revenues

[11:36:15 AM]

that Katy mentioned earlier. But everything else would be eligible to be paid from hotel tax as a matter of course, because it meets the requirement under state statute. And beyond that how when it flows to the bottom line, how it's handled, we would need to get some additional guidance from the law I think to fully address your questions.

>> I would only add to that that I want to make sure that everybody is comfortable with the fact that we do track restricted and unrestricted funds. If you think about the airport -- all kinds of restrictions on those funds, and we track those independently so that we know that all airport funds are being used within the boundaries of the airport. All kinds of restrictions on hotel taxes, and we can track that. We have different funds for historic preservation and cultural arts, which is by the city ordinance that says how we'll allocate those dollars and we can tell you with absolute certainty how much money is going into those buckets and how it's being used with the restrictions that have been placed upon it. Not only the restrictions that council set up, but also state

[11:37:16 AM]

law restrictions. I think that here it's really a matter of granularity and I would really like to have the time to speak to some of the folks in San Antonio and Fort Worth and Houston that the auditors spoke to, to better understand the granularity of what they're tracking with their different restrictions. And if there's something that we could learn from that and to do differently, we certainly would like to.

>> That sounds good to me. And the internal policy around spending unrestricted funds before the restricted funds. I don't know if you can just quickly explain why policy is preferred on how we normally handle things. And I think that would be Ed and Diana.

>> So this is Diana. I think that there's a miscommunication in how we handle things because in general as we state in our annual report, the city spends its most restricted funds first because we have to meet all of the requirements and the

[11:38:17 AM]

restrictions that are involved. Then we move to unrestricted. But as you look at the varying stages of restrictions that the convention center is looking at in the revenue stream, I think that they're looking at what is absolutely left at the very end and to be spent first because it's, again, those -- those revenues associated with the events themselves. And so those -- those moneys are getting spent when the events are being held. And when those funds are coming in. But I am only speculating as to the explanation and rationale for that, but the city as a whole doesn't look to spend its restrictive moneys first, so that we -- we don't have to worry about having money that now we have no way of meeting the spending requirements of that money.

>> And the money coming in during the event is helping to move the balance sheet for that particular event from the red to the black? Because my understanding is that we carry a deficit in operations

[11:39:17 AM]

for the convention center every year. I mean, and we've been doing that for a significant number of years.

>> I think that it's the business model of convention centers across the nation.

>> Pool: I just want to highlight that, because that has been an issue of concern for people in the community. They don't understand that model and to the extent that we can adjust that or fix that or to do something about that, I think that would be helpful to help with the support and trust for convention center activities in the community. I get that's how the industry operates, but that's not a good enough answer honestly. Because that's a closed system and you don't get any fresh ideas in, if you just keep doing it how everybody else in the same category has been doing it all along.

>> Councilmember, if I may, you know, it isn't simply that, but it's what everybody else is doing it allows us to remain

[11:40:19 AM]

competitive in an incredibly competitive market. We lose business a lot to some cities, and the other piece is that the amount that goes into it seeks to maximize the hotel tax which benefits more than the

convention center, right? If we could increase the hotel tax collections that means that historic preservation gets more and live music gets more. So that's really of what the crux of our business model seeks to do is to allow us to remain competitive and to maximize the hotel tax collections in the city of Austin.

>> Pool: And we join you in that mission and in that interest, and I think that at this point for me it's a matter of clarity and messaging, and what those flow charts look like. Thanks.

>> Alter: Thank you. Staff can continue to work with councilmembers pool and tovo to get this presented clearly, and if we need to put in an addendum to that special project, if we

[11:41:21 AM]

don't misrepresent things, if that is an appropriate step, with auditing standards -- if it is appropriate we should consider that. Thank you, everyone. We packed in a lot today. I apologize for the technical difficulties but hopefully the staff will make sure that in the future all of our colleagues have the right links and maybe if we're having guests speak we can provide an extra information about taking the next step to click. So with that, it is 11:41. And this is the audit and finance committee. We are now adjourned. Thank you, everyone.