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SPECIAL FINANCE COMMITTEE MEETING
Monday, July 27, 2015

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MINUTES OF THE
CITY OF SANTA FE
SPECIAL FINANCE COMMITTEE MEETING
Monday, July 27, 2015

1. CALL TO ORDER

A special meeting of the City of Santa Fe Finance Committee was called to order by Chair Carmichael A. Dominguez, at approximately 6:00 p.m., on Monday, July 27, 2015, in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:
Carmichael A. Dominguez, Chair
Councilor Signe I. Lindell
Councilor Joseph M. Maestas
Councilor Ronald S. Trujillo
Councilor Christopher M. Rivera

OTHER GOVERNING BODY MEMBERS IN ATTENDANCE:
Councilor Patti J. Bushee
Councilor Bill Dimas

OTHERS ATTENDING:
Oscar S. Rodriguez, Director, Finance Department
Kelley Brennan, City Attorney
Teresita Garcia, Finance Department
Yolanda Green, Finance Department
Melessia Helberg, Stenographer.

There was a quorum of the membership in attendance for the conducting of official business.

NOTE: All items in the Committee packets for all agenda items are incorporated herewith to these minutes by reference. The original Committee packet is on file in the Finance Department.

3. APPROVAL OF AGENDA

MOTION: Councilor Lindell moved, seconded by Councilor Dimas, to approve the agenda, as presented.

VOTE: The motion was approved unanimously on a voice vote.

DISCUSSION

4. 2008 PARKS BOND UPDATE. (OSCAR RODRIGUEZ)

A Memorandum dated July 23, 2015, to Chairman and Members of the Council Finance Committee, from Oscar S. Rodriguez, Finance Director, regarding *Improvement made to capital project management and reporting processes*, is incorporated herewith to these minutes as Exhibit "1."

A Memorandum dated July 24, 2015, via email and regular mail, to Javier M. Gonzales, Mayor, City Council Members, with attachments, from Timothy M. Keller, State Auditor, regarding *Designation for City of Santa Fe 2008 Parks Bond Special Audit*, is incorporated herewith to these minutes as Exhibit "2."

A copy of Resolution No. 2015-51, adopted by the Governing Body, on May 27, 2015, is incorporated herewith to these minutes as Exhibit "3."

A copy of *2008 Park Bond Agreed Upon Procedures*, is incorporated herewith to these minutes as Exhibit "4."

A copy of *Independent Accountant's Report on Applying Agreed-Upon Procedures*, to the City of Santa Fe Management and City Council, from REDW, LLC, is incorporated herewith to these minutes as Exhibit "5."

PUBLIC HEARING

A. 2008 PARKS BOND PROGRAM

A copy of the statement for the record by Mary E. Schruben, dated Monday, July 27, 2015, submitted for the record by Mary E. Schruben, is incorporated herewith to these minutes as Exhibit "6."

A copy of *My Opinion Intent of Bonds Should Not Be Ignored*, Suzanne Schmidt, 1st Vice President and Chair of Action and Advocacy Committee, League of Women Voters of Santa Fe County, read into and entered for the record by Jody Larsen, is incorporated herewith to these minutes as Exhibit "7."

A copy of a *2012 Parks Bond Report as of [undated]*, submitted for the record by Bette Booth, is incorporated herewith to these minutes as Exhibit "8."

A copy of Resolution No. 2015-50, adopted by the Governing Body on May 27, 2015, is incorporated herewith to these minutes as Exhibit "9."

Mr. Rodriguez reviewed the contents of the Committee packet.

Chair Dominguez asked if this Committee is seeing Mr. Rodriguez's Memorandum of July 23, 2015, for the first time.

Mr. Rodriguez said he sent it out to the Committee by email.

Chair Dominguez asked what the Memo is in response to.

Mr. Rodriguez said the REDW 18 recommendations that came out in their report.

Chair Dominguez said then it isn't a part of the charge that we gave in the Resolution.

Mr. Rodriguez said this is correct, "it is extra to that, yes."

Chair Dominguez said okay.

Councilor Maestas said another Resolution was passed directly relating to the subject of tonight's meeting, Resolution 2015-51, which had direction to staff on page 3 of the Resolution. He said the first was, "*Consult with the City's Audit Committee to identify additional areas recommended by REDW*, pertaining to the development of the scope. There were additional recommendations for review in the REDW Report and Item #1, on page 3 of Resolution 2015-51, directs the City Manager and staff to look at the additional recommendations for review in the REDW Report and determine whether they should be advanced forward and considered in the scope of the independent Audit.

Councilor Maestas continued, saying that Item #2, asks that the City Manager "*Work with the chairs of the City's Audit Committee, BTAC, POSAC, the State Auditor and REDW to make recommendations to the Governing Body through the Finance Committee, regarding the scope for the scope of the audit*," that is under the oversight of the State Auditor. It also asks to estimate funding, and that we "*cooperate with the State Auditor's staff to identify any potential criminal issues*." Item #5, *"Report to the Governing Body on the costs associated with the foregoing tasks, including staff time."* And then it requires the drafting of the contract with 60 days of the adoption of that Resolution.

Councilor Maestas asked whether or not this Resolution was followed and implemented.

Chair Dominguez said this needs to brought up again when it comes Councilor Maestas's to make comments because, "quite frankly there are a number of things that weren't completed as directed by the Governing Body, although I think we should address those as we move along, one at a time, but definitely, and it's part of the next steps as well."

Councilor Maestas said then we're going to do this after the public hearing.

Chair Dominguez said, "Yes. So for the rest of the Governing Body, my goal is to let the public have their say and speak and have the public hearing, and from that instigate some discussion, not only by the Governing Body but by staff. So, Councilor Bushee, a procedural."

Councilor Bushee said, "Yes. It's just a question as to when the payroll is going to be available, that's going to be some of the questions."

Chair Dominguez said those are questions he has as well.

Councilor Bushee said those were due a couple of weeks ago.

Chair Dominguez said there are a lot of things that were due.

Councilor Bushee asked, "Will we get an answer after everybody speaks."

Chair Dominguez said yes.

Public Hearing

Speaking to the Request

Chair Dominguez gave each person speaking 3 minutes to speak to the request

Mary E. Schruben, 2119 Rancho Siringo Road, read a prepared statement into the record, dated Monday, July 27, 2015, closing with the following statement, "Reporting this information for all Bonds and Loans on the City's books would go a long way to informing the taxpayers of our financial reality. The citizens deserve to know the complete cost of our Parks, Open Space, Land, Buildings and Infrastructure expenses." Please see Exhibit "6," for the complete text of Ms. Schruben's statement.

Jody Larson, League of Women Voters of Santa Fe County, 1472 St. Francis, said their remarks were sent to the Governing Body several weeks ago and published in *The Santa Fe New Mexican*. Ms. Larson read the first and last paragraphs of the remarks. Please see Exhibit "7," for the complete text of the remarks.

Karen Heldmeyer, 325 E. Berger, said, "I don't want to repeat too much what I said at 1:00 a.m. at the Council meeting, but this Council, this government has to regain the trust of the people of the City. You can't tell them that you are going raise money for one thing and then turn around and use it for something else, and say, well that's okay, because it's all City or, you know. They all went on something on parks. Doing specific things were told to citizens about what kinds of projects were going to be funded by this money and they voted on it. This isn't a CIP project it is a voter GO bond, and they relied on the promises that were made at that time, so they got in trouble financially, money got moved around and they were not sure how and why or where. And so I think the two Resolutions that have been put forward have a grid outline of what any inclusive audit should come up with. The thing I would add is, if information isn't available, because of the things used to be done, and Oscar says aren't going to be done that way anymore, but used to be done as of not that long ago. You need to very clearly say what is missing and not just make assumptions on the basis, well this is what we could find, so these are the assumptions we

made. You have to say these are the things we should have had and we don't. And these are the things we do have, and let the public make their own recommendations from that."

Former Councilor Heldmeyer continued, saying, "The other thing is, besides hiring outside auditors, this truly is a job for City staff. And we have had Bette Booth here, who has done a tremendous job of trying to track down some of this stuff, actually going out to the parks, looking at the parks, seeing what was done, what wasn't done. And that's great, we appreciate that. But that all should have been done by City, and it should have been done by City staff a long time ago when this Committee asked for very specific information. So the ball is now in your court and you're going to toss it to the auditors, but also to City staff, because you've got to win back the trust of the people. Because all of Oscar's nice plans, how to do it better, may come to naught if there's nothing better to do. If the *[inaudible]* says we're not going to approve anything. So good luck."

Bette Booth, said, "And before we start my time, I'd like to explain that I'm not here as Chair of PARC. PARC has responded to management with a report that is on the website, although I'd like to have it on the page that talks about the management report. I'm here as a very informed citizen, and don't necessarily speak for all of PARC, although I think most of them would agree. So, two points. There's sure lots to talk about. But, two points. We need to hold this management accountable. We didn't do it before and that is what has led us here. Management is still circumventing and ignoring the Governing Body. You have passed a Resolution requiring, directing staff to provide information before the public hearing and they have not complied."

Ms. Booth continued, "We still don't know what was paid out of this bond, although 1/3 of the payroll tabs are active, even though this Committee began to ask for that information 2 years ago. Management has had ample time to provide that information. We still don't know about the irrigation audit, although staff who conducted that audit, told me they completed it 3 weeks ago and handed that information to management. We still don 't know who was responsible for each of the park's budget. This was information you asked in your Resolution and you have been ignored, and your authority has been usurped."

Ms. Booth continued, "So it's time to make staff accountable. Maybe it's time for a public censure. Maybe it's time for someone to be put on administrative leave, but if we don't hold staff accountable, we're going to continue the discussion that has led us here today. And that includes you asked for a report on the 2012 bond in 30 days. I asked that that happen and I would like to ask the Finance Chair to ask staff to use the same format that PARC asked for, which summarizes and puts everything on one page. Right now you have to go 4 different tabs to understand this. Nobody but me is going to sit there and do that. So have it all on one page so you know what was spent, what was supposed to be done, what was done, all on one page, and then provide the payroll, please, and the purchases tab."

Ms. Booth continued, "Secondly, I would like to ask that we go to the Attorney General to make the ruling about what the bond language really meant. It all hinges on one word, improve. I've talked with 3 City Attorneys, and they all said they vehemently disagree with Geno Zamora's ruling. One of them was a former Santa Fe City Attorney. If he would have been in Geno's place, we would not be here this evening.

He would not have ruled the way Geno did. So this is a really important decision, and I think it's too big. The State Auditor is suggesting that the auditing company that we contract with, select the legal authority to make that decision. I think this is too big a decision that has implications for all of the State, because, so goes Santa Fe, so goes the State. Let's bring the Attorney General in to make that ruling so it is totally binding and then we can go forward with an audit about what the appropriate expenditures were for the bond. Thank you."

Stefanie Beninato, P.O. Box ***[inaudible]*** said she is not as knowledgeable on the figures and the lessons learned. She said she is one of the citizens that has to be convinced again that the City Council and City government should be trusted with citizens money. She would like to see what was actually spent from the bonds, including peoples salaries. She agrees with Ms. Booth that we should go to the Attorney General and ask what types of expenses should be used from the bonds, what should come from the General Fund and be clear about how much was spent on salaries and if they were for temporary employees, commenting she doesn't believe it is appropriate to use bond funds for salaries, and doesn't believe that's what voters meant. She wants to know what happened and we can't be put off again. She said we were told documents didn't exist and the auditors said they didn't have documents for two years and suddenly everything was found, but the money had been spent. There is another report from the Committee, and now they're saying it wasn't done properly. She said we are asking for transparency, and we need to have City staff stop covering up what they spent it on, we need to know what that was. She said we are asking again for complete disclosure, reiterating it's a good idea to get the Attorney General's opinions about what is appropriate is bonds *[inaudible]*.

Rachel Wexler said she applauds the efforts of the Committee and the work you're doing around looking into the details of the bond is valuable, but something being left out is a question about the competence of staff, particularly regarding Parks & Recreation. She would like to see the Committee move forward with something that addresses industry standards as to how many staff in Parks & Recreation have national qualifications to the work they're doing, compared to some place like Portland, Oregon, which has a really great Parks & Recreation. She said you're missing a big piece of the puzzle if you're not going to address that question.

Rick Martinez, 727 Mesilla Road, thanked the Committee for bringing this to a public hearing because it's important. He wants "you guys to get this right." He said he knows they wanted the Fire Station which wasn't approved at the last election. He said those things are important and could be coming up in the future. He said where he lives, the bank along the river bed is falling apart and there is no money to fix it. He said when you're going to ask the public for money for these things it's not going to be there, because nobody is going to trust you. He said if you get this right, and he is sure they are on the path to get this right, so you can go to the voters.

Anna Hansen, 2008 Kiva Road, said she has served on POSAC since 2007, and then ran for Council in 2006 on the fact that our parks were a disaster under Ron Shirley, and only Councilor Bushee is here who remembers how he ran the parks. She said we have moved up in the way with Parks are run, and she believes we now have two individuals Robert Carter and Richard Thompson who are running the parks. She said when she was Chair of POSAC the first thing she requested was a final report because you can't do an audit without a final report. She said the final report has been pushed down the road for two years, and now we have a problem. She said this was given to an auditor without all of the information and she doesn't want to see this happen again – give it to the auditor without all the information. She wants the truth of how the money was spent."

Ms. Hansen continued, "I have a definition of improve. Improve means, "To invest profitably, to make greater in amount or agree; to enhance in value or quality; to make better; to increase the value of; to grade a drain and supply surface material other than the pavement of a road; to turn a good account; increase to rise in value; to grow better; to make useful additions or amendments; improve; better; help; ameliorate; to make more acceptable or bring near some standard; improve and better are generally interchangeable and apply to what is applicable, whether it is good or bad. Help implies bettering that still leaves room for improvement. Ameliorate implies making more tolerable or accountable conditions that are hard to endure." She said this is what we had to do for our park. She believes we improved our parks in many ways, saying, "If you go around and look at them, they've all been improved, but how did we really spend the money and how was it really taken care of." She said these are vital questions to the voter who need answers and a better way to track expenses, what is being purchased with the money. We need to ensure our fiscal house is in order and that we fulfill our promises to our citizens."

Oralynn Guerrerortiz said she is on POSAC, but she is here as a citizen. She spent time looking at the boxes, visiting parks recently, looking at the photographs from 2007 which POSAC members had taken. She said she is an engineer and runs projects in town, and said, "If some of these jobs were mine, I would have been fired. The paperwork is atrocious, there are misleading reports and statements, documentation and files are there claiming things were built that aren't out in the field." She said what really concerns her is that staff spent money for maintenance and that isn't what was supposed to be done – we were supposed to improve the parks with capital improvements not every day maintenance and that happened. She is very disappointed. She said the Council asked many times for reports and had questions on changes over and over and it was never provided. She said new projects were added, never with Council approval. She said you guys have to be more watch dogs, and when you ask a question make sure staff follows up, because they didn't and it's disappointing. She is sorry we are in this position. She said, right now, if you ask the citizens for another bond, they're going to say no and that's really unfortunate because SWAN needs more work, as well as other parks.

The Public Hearing was Closed

B. FINAL ACCOUNTING REPORT PURSUANT TO RESOLUTION 2015-50 – 2008 PARK BOND.

Brian Snyder said, "As I told some of you before, I don't have much of a presentation. The Final Accounting Report is on the website. It has been distributed twice to you. It went through the 2015-50 Resolution and to the best of our ability, went through and found facts of what was in the system, what was in the project files, what was done, what was not done and tried to put that into the Final Accounting Report. There was a couple of areas we're still working on. One was called out tonight, the irrigation audit. I do have some concerns with an irrigation audit that is 8 years after the fact and without a baseline. I'm trying to work through that with staff right now, to find out what previous records we have so we can have some comparable that we can present you an accurate accounting of those. That's just one example of something that's outstanding. This continues to be a collection of data and putting it in a written form as well as putting it on the website and we'll continue to do that. And I'll stand for questions."

Chair Dominguez asked if his irrigation audit concerns are documented anywhere, or if you are just letting us know now.

Mr. Snyder said, "I'm letting you know now. It's in the Final Account Report that staff is working to finalize. Staff has done field audits, but like I said, it's an audit now, this month, last month when it was done, and I have a concern about what the baseline is – what it's being compared against. So I'm trying to get with staff to get some information to have a comparable so we can know what was done, and how did it improve or not improve. That's what I would like to have presented to you."

Chair Dominguez said, "I am going to the next item with the State Auditor and then we'll open it to the Governing Body. So thank you Brian, thanks for all your information."

C. PRESENTATION BY THE STATE AUDITOR'S OFFICE REGARDING SCOPE OF WORK FOR NEW AUDIT OF 2008 PARKS BOND PROGRAM

Sunalei Stewart, Chief of Staff, State Auditor's Office, introduced Sanjay Bhakta, Deputy State Auditor and Kevin Siriso who will be heading up the project noting he is the Special Investigations Director.

Mr. Stewart said, "At the beginning, and we talked about this a lot in the full Council meeting last time, but we've come back with a draft RFP scope. And our hope here is really to try to put in place a process to answer two fundamental questions. One, can the funds be accounted for, and two, were the funds used a manner consistent with laws, regulations, policies and procedures. One key difference here between the REDW agreed upon procedures that were implemented and what we're recommending is, this is an examination which requires an opinion to be issued."

Mr. Stewart continues, "For the REDW agreed upon procedures there was no opinion ever issued, and we think this is important in terms of addressing some of the accountability issues that the public raised that I know all of you are concerned about, and folks in general want an answer to. So I think that is one key distinction there."

Mr. Stewart continued, "We are going to be doing work on identifying all the projects and doing test work on a sample level within all of the different categories and I think that we, I'm talking about the process, as we discussed last time there will be an independent public accountant that will be selected through the RFP process, that the City will employ. Once we get that recommendation from the City, we will approve or reject that recommendation. There is a list of approved auditors that we issued that are able to do this type of work. So that's kind of the process there. I would note one thing. I think we would all benefit from fresh eyes on this issue which is important. And we're looking for somebody other than your annual auditor and that standard practice, because we want an additional layer of independence in terms of the assessment of these issues."

Mr. Stewart continued, "There is a timeline we've laid out in the packet of materials. We would like to do this as quickly as possible. I know the City, in terms of management, has said that they can try to move along pursuant to these deadlines, but really, if we can shorten it, we would love to do that. But under the current timeline, we have the process being complete in January."

Mr. Stewart continued, "Two other just brief issues I would like to address from last time, and then I'm happy to take questions. There was an issue raised about the 2012 bonds, and whether we were going to be looking at that issue as part of this. We are not doing it as part of the special audit, but the regular audit will look at that issue as part of the normal audit cycle. So they are going to be doing an assessment there to ensure that the 2012 funds are being expended in an appropriate manner and there are appropriate internal controls there."

Mr. Stewart continued, "And lastly, I think one distinction and an important component that we've included in this, is we are going to be asking the contractor to get some kind of legal opinion that provides a basis for their assessment, in terms of the expenditure of these funds, and what is appropriate and what is not. I understand the suggestion of going to the Attorney General's Office and getting an opinion there. I think what we're trying to do is incorporate in this process, and hope that it moves along fairly quickly, some independent legal review that would provide an assessment of that issue as well, because we know that's been raised and is important. So with that, I'm happy to answer any questions, and I'm available."

The Committee asked questions and commented as follows:

Chair Dominguez asked for questions and comments, and said once we have asked questions of the State Auditor's Office, we will go to questions from the Governing Body for items outside of this.

- Councilor Bushee asked what level of detail does the State Auditor need. She said we are still asking for things which have been promised for some months. She wants to be sure we are asking for the right thing.

  Mr. Stewart said when they lay out the draft RFP scope they've provide, it is an outline of something that will be provided in terms of the contract, but it is not the complete, thorough audit work plan that an auditor would utilize, and you will see more detail there. He said the reason is when you require an auditor to form an opinion, that opinion has to be independent and it has to be based on their assessment of the different issues, and they will be making determinations

about what documents they need to see and what test work needs to be conducted. This is the reason they have laid-out a framework of key things which need to be included. He said, "I don't want this RFP to be taken as a full list, if it's not listed here, an auditor isn't going to be looking at it."

Mr. Stewart continued, "In terms of asking for information and documents, I think we're in a better place now than we were in terms of documents being compiled for an auditor to do their work in an orderly manager." He said he understands the Council has requested items and is working with management on those issues. He said it would be inappropriate at this point for us to identify that there are gaps or what those gaps are."

- Councilor Maestas said he is glad to see us get this far and come up with a scope for the independent audit which we've been asking for. He said, "As you will recall, we did work together in crafting some legislation.... and we understand it's under the oversight of your office and the City is paying for it, and you're using our procurement process." He said in the spirit of Resolution No. 2015-51, we had extensive discussion about involving appropriate existing forums in the development of the scope. We have an Audit Committee, a Bicycle & Trails Committee, a Parks Committee, and we had asked in that Resolution, that they be consulted and one person from that Committee will make the appropriate comments and provide feedback on the Scope. He asked if that has been done.

  Mr. Stewart said, "I think our staff has had informal conversation with folks that are engaged on this issue and discussed some of the issues. We have attended no formal meetings, and we were instructed to report back to the Finance Committee as the mechanism to communicate, so we're trying to keep with that. We do welcome, if there are areas folks have identified, and say, well hey, we're missing something, we're absolutely willing to hear those concerns."

- Councilor Maestas said the Resolution begins, "Now Therefore Be It Resolved," urging that the additional work REDW was unable to accomplish but recommended was in their report, and this Resolution asks that you review that to see if any aspects of that work not done perhaps be addressed and included to benefit from REDW's work done. He asked if they looked a REDW report, and if there was anything on page 13 of the report that was incorporated into the scope.

  Mr. Stewart said they operated within that context, noting they want to craft a process where they get the answers we want and it was taken into account, and asked if Sanjay or Kevin want to comment on this.

  Sanjay Bhakta, Deputy State Auditor, said the main distinction is that engagement was an AUP, rare. The auditor would perform the agreed upon procedures and issue findings. He said the findings are basically the results, but not finding in a traditional sense. He said it didn't meet the objective of what the City had in mind. He thinks the distinction here is that we are kind of making the auditor more responsible by engaging them to do an examination engagement, rare. The auditor has to use their professional judgment as to what other criteria, what other level of documentation they are looking to, because they are going to perform a professional opinion. So

that's the main distinction. In the previous engagement before the State Auditor was part of the process, you had the most non-inclusive sort of engagement, but just AUP. And without aligning the objective you had, you had put together procedures which did not result in anything which you were expecting. So that's the main distinction. I hope that answers your question.

- Councilor Maestas said, "Right." He asked if there anything in the REDW Report that you are going to consider and incorporate into the scope of this independent audit.

  Mr. Bhakta said, "I think the scope we have right now is much more inclusive, or much more expanded that what REDW had recommended."

- Councilor Maestas said, "In looking at the scope of work, I see many similarities to the REDW audit, specifically, the scope is calling for testing on a sampling basis, expenditures of every project identified, looking at our policies and procedures, and rendering an opinion whether or not the City complied with those. This is very similar to the REDW audit, absent the requirement for the opinion. I was expecting a more detailed scope that spoke specifically to a financial audit, based on accepted auditing standards. Can you maybe explain the classification of this versus a financial audit done in accordance with accepted audited principles."

  Mr. Bhakta said, "This is not about a compliance examination and the financial audits are done for the financial statements of the entity as a whole. And this is specific to a bond expenditure of 2008 bond series, so that's a difference there. But for an examination as opposed to AUP, you shift the burden on the auditor. You don't have to come up with the scope as long as you define what is the area that you want the opinion on. They will have to figure out, in their professional judgment what should be the scope, and we are helping them with the scope, but as someone said before, that scope is not limited to what they can do. They can ask for more, because they are required to form an opinion."

- Councilor Maestas said he feels it is very similar to REDW. He said we're going back to 2008, and if it was very detailed, it could be very expensive. So, I think instinctively anyone would want to make sure that it's a targeted audit. And in an effort to ensure that the scope is targeted, you would benefit from any prior reviews that have been done, specifically REDW to have a targeted scope, instead of spending a lot of money and kind of taking a shotgun approach to determine whether or no appropriate laws were followed. I don't understand why the REDW report really had no bearing in your scope. And he also is concerned that this is kind of a watered-down compliance review. He said he expected this to be much more in depth and targeted.

- Councilor Maestas said it isn't his intent to wait for the results of this audit to take action, noting we are taking action concurrently with the audit. He asked if this scope of work review some of the steps already taken to ensure we are on the right track, that we're doing it right, and that this won't happen again. Is that something that can be considered in the scope.

Mr. Bhakta said, "Nobody would give you an opinion that this would never happen again. This is beyond a CPA's profession to say what will happen in future. However, I respectfully disagree with you that this is a watered down scope. The reason for that is there are basically 4 types of engagement that you have options to choose from. The one you had before was agreed upon procedures. The next level is a review, and the next one is an examination which forms an opinion and provides a level of assurance. And that's the best type of engagement you have in this kind of scenario. So I sort of don't agree with you that it's a watered down scope. It may look like that. However, we are requiring for the IPA to form an opinion. That opinion means that they will define the scope, and in their professional judgment they can expand the scope to support their opinion."

- Councilor Maestas said just because we're going to render an opinion doesn't mean that it's going to be final or answer all the questions, because one of the issues was documentation. And he thinks since all this came to light, that staff has done a really good job to identify and organize all the documents. But even the documents that were located, in some instances lacked all of the information to fully explain and answer all the questions that are being asked. So, in light of that, if we have the documentation but it lacks information, commenting that he isn't trying to speculate, but we still may get an opinion that would be inconclusive, because of, for example, that very fact that we don't have all the information.

  Mr. Bhakta said it may very well be. There is no language which is available that would give you an absolute assurance of everything. However, this one would give you a reasonable assurance in their professional judgment. He said, "And if they find some documents are not sufficient, then you will have the findings. And those findings will help you to improve your systems going forward."

- Councilor Maestas said his last comment is on internal controls. He said regarding Finding No. 6 on page 14 of the REDW report, it looks as though they felt like the internal controls needed to be looked at further. Internal control is something very basic that an audit does. He asked if they will look at basic internal controls with regard to managing these projects, or how they were managed.

  Mr. Bhakta said, "When they examine these expenditures, there would be findings and that would report on your lack of internal controls if they are any, and then they would make recommendations. On a different note in your FY *[inaudible]* they would also look at 2012 bond expenditures because you're still spending money on that and we have a referral to the current IPA to test on that. So that would look at the internal controls you have right now on bond expenditures. So hopefully, between those two, you will have enough information to see where the internal controls are deficient."

- Councilor Maestas asked if there been any complaints on your Fraud, Waste and Abuse line regarding this issue, and if you can give us some numbers, an idea of the concerns.

  Mr. Stewart said they can say they have heard about constituents that were concerned about this issue, and they take all those seriously and look at them. He said in terms of your other questions, Mr. Bhakta made the point that in terms of effecting internal controls there are prospective and

looking back. In terms of the special audit, they will be looking at internal controls in place at the time and whether they were sufficient. For the FY 15 audit that is beginning shortly, as part of that process they will be looking at your current internal controls including changes or any new policies that have been put in place by this body or management to assess, from a current perspective, whether those internal controls are sufficient. In terms of the opinion, it's a little counter-intuitive that having a draft with more of an outline will result in more work, but the fact that it requires an opinion will result in more work being performed, more test work and more thorough assessment of what occurred, than would under an AUP.

- Councilor Rivera said he agrees with everything Councilor Maestas said with regard to REDW and moving forward from there and won't repeat any of that. He said the scope of work for the contractor in Paragraph E starts off with identifying all projects funded by the 2008 General Obligation Bond. However, what we heard tonight from the POSAC was really understanding what the voters voted for and defining something as simple as Park improvements, and does routing maintenance fit into Park improvements. He asked if the audit can include, starting from where it happened with the voters.

  Mr. Stewart said that's critical in terms of a baseline we're "going to be trying to judge off of." It's one of the key reasons we need some kind of legal opinion that is independent to be able to look at some of the issues and make that kind of assessment.

- Responding to Councilor Rivera, Mr. Stewart said it will be the legal opinion, noting that is included in Paragraphs A and B.

- Councilor Rivera asked if that is what you mean by the hierarchy.

  Mr. Stewart said where is says, "*The contractor must identify the in-house or subcontract to legal counsel and the approach to selection of legal counsel to provide a legal opinion necessary to establish the governing hierarchy, and determine the types of expenditures are allowable*," that's getting to that question.

- Councilor Rivera said then it would look at exactly what the voters voted for, and define some of the language that they did approve.

  Mr. Stewart said that is the objective.

- Councilor Rivera said that wasn't clear in what he saw in the scope of work and he wanted to clarify that.

- Chair Dominguez said, "Councilor Maestas, I think part of your Resolution we approved that gives specific direction to management, was really intended to get some of that information from other committees, so the State Auditor's Office can be a little more specific and test some things specifically, but not limited to those things. Am I reading that correctly. Because when I read your Resolution it looks like it's asking the State Auditor's Office to work with the Finance Committee

and the Governing Body, as well as others or other committees that may have a more intimate knowledge or detailed information about what needs to be looked at. At least that's the way I interpret your Resolution."

- Councilor Maestas said it was an added consultation element to the legislation and we didn't want to make it overly-bureaucratic, so we asked only the Chair of all existing forums that will be dealing with the aftermath and whatever comes of the audit. And the Governing Body agreed they should be part of the dialogue and have some contribution in looking at the scope and contributing to developing the scope. So that's what #2 entails on page 3 of the Resolution.

- Chair Dominguez said his question for the State Auditor's Office is, "Is there anything in Resolution No. 2015-51 that you object to, or that you need clarified."

  Mr. Stewart said, "I'm not sure in terms of object to. I think we have had conversations with the folks that have raised issues with us, but not in a formal setting. We haven't attended the different meetings. The discussion we had last time and one of the challenges we have, is we're asking and allowing for a process of input, but ultimately there is no single voice and we need to funnel that information to us. Scheduling meetings can be challenging in terms of getting things moving quickly."

  Mr. Stewart continued, "But what I would say, is absolutely if there are concerns by a Chair of a particular committee or anything like that and they express those to our office, we're here, open to considering those. And the RFP scope is not the dead end for any issue to be looked at. The Auditor's Office is going to be very involved in terms of oversight of the process. Once an IPA is selected, if we're getting information from somebody that says, hey we're identifying a problem over here, or there's information coming through our Fraud Hotline, we can communicate with the IPA in terms of these are some issues you should take a look at. I don't want it to be perceived as that this is just kind of a stagnant process where you put this down and that's it, because there is a process moving forward for concerns that are raised to be looked at."

- Chair Dominguez said so perhaps the Governing Body can figure something, not tonight, and what he is hearing is that you're willing to work with the Governing Body either collectively, individuals and/or maybe a group collectively. We certainly don't want to bog-down your time, and there's a lot of work that needs to be done by the Auditor's Office but by the City as well. He said, "I hope you understand that that lack of clarity or detail has gotten us into this position in the first place, and so we want to make sure, it sounds to me like that, we're not just saying, here you go, do what you want to with it, or give us whatever information back you want to give us. I think the Governing Body is looking to get down into some of that detail. Because us not giving that detail in the first place has led us down this road into the position we're in now."

  Mr. Stewart said he absolutely understands the challenge in terms of getting too detailed as part of this, as accounting practices. This is going to be in accordance with their accounting standards and that requires a professional, independent judgment to be issued by the auditor and they can't micromanage all of the procedures they should employ. That would be an agreed-upon procedure.

- Chair Dominguez said, "Nor should you have to, just like the Governing Body shouldn't have to micromanage details.'

  Mr. Stewart said if concerns have been raised, we have not documented every concern that has been raised, but the concerns that have been raised are on our radar and something we'll obviously be considering at the entrance conference, exit conference, working with the IPA that is selected ultimately, and having those conversations. They will be trying to ensure if there are particular concerns that need to be assessed that we are able to do so. We want to try to get input. Also, he believes there is an expectation of this body, of management of the public, to try to move this process forward in a timely manner which is a balance in meeting the timeframe to get the answers.

- Councilor Maestas said the records are at the center of this issue and one of the main reasons we are where we are today. When we engaged with REDW we didn't prepare records for them. He said there is a list of final records that need to be provided prior to the start of work. He asked, in the scope, if there is an audit prep phase where the auditor that is hired understands the scope and his contract and sits and identifies the records needed prior to beginning. He wants to make sure we don't repeat what happened in the REDW experience. He said there is language providing the City shall provide unrestricted access to whomever is hired to do the audit. He thinks we need to go beyond that and have one step prior to beginning of the work where there is a comprehensive list of all records that will be required before the auditor begins.

  Mr. Stewart said he understands that concern and that was one of the frustrating aspects of the REDW AUP is that due to availability records for whatever the reason, the conclusion didn't leave everybody with what happened and if we can account for the funds and such. In terms of whether it is in the scope, it is included in the work plan and they are required to lay out the documents.

  Kevin Siriso, Director, Special Investigations said, "Within the scope, you're going out for RFP and expecting the contractor to come back with a response with a proposal for the work. I would say that your evaluation criteria has to be matched to the RFP so you are requesting all the elements you want to evaluate on. He said these kinds of elements would go into the evaluation of the RFP. He said according to line D under scope of work, '*The contractors and subcontractors must demonstrate a strong knowledge in auditing and local government bond issues*.' He said, "So I would say on that part of the proposal, when your evaluation committee is looking for that, they should be looking for some key elements, and perhaps I would say some input from management and the Councilors would go a long way in establishing that criteria. You want them to come back and say this is what we do in an audit. We start out with these documents, with a PBC list that is comprehensive and we would ask for these types of documents. We want to be able to look at accounting records from their dig down to invoices. I don't know if that answers your question."

- Councilor Maestas said it does in general, in terms of the understanding of this. However, this is brand new to any auditor we hire. It's a special audit and they aren't going to know until they respond to the RFP. He reiterated he wants to be sure there is an initial deliverable, that there is a comprehensive list of all records that must be produced by City staff. Instead of what happened in

REDW where we put boxes in a room and said have it. He wants it to be much more formal and explicit in the contract and that be a pre-work exercise done prior to this auditor beginning work.

Mr. Stewart reiterated his understanding, with one caution. He said, "If you are too specific with that documentation, and we saw this with REDW, they had specific ideas and things they had in their head in the plan they wanted to document and substantiate a purchase or transaction, and they named a specific document. Or addressed it in such a way that staff may not have understood the objective and exactly what they were looking for."

- Councilor Maestas reiterated that records were a significant issue and we need to make sure we learn from our mistakes.

  Mr. Stewart reiterated they can take information and concerns from constituents and members of other panels to add to this and take those into consideration.

- Councilor Trujillo said, "I'm not going to tell you how do your job, I'm not, because that's not my... this Council wants an independent audit. They weren't happy with REDW's, so now they're letting you guys do it. So what I don't understand is are we going to let them do it, or are we going to set every criteria, because to me that's not what we should be doing. We're providing the criteria and they're following what we're telling them what to do. I'm not an auditor, I don't do auditing, I don't know the first thing about doing that. So I want to let you guys do your job, or are we going to tell you what to do. That's what I want to know, as you guys are the State Auditor's Office. Are we telling you, because that's all I'm hearing right now, is we're telling you what to do."

- Chair Dominguez said, "I think they've asked us to provide a scope for them."

  Mr. Stewart said the comment he made last time were, "We're going to remain in the driving seat, and that's exactly what we're going to do. We welcome input. We think there's a lot of knowledge, experience and information we can gather from the public, from the Governing Body, from management that will inform the decision we make, but ultimately, we are going to make the decision. And our authority is to conduct an independent audit in a professional manner in accordance with accounting standards and that's what we intend to do."

- Councilor Trujillo said, "That is what I would like you guys to do. You are in charge, you're in the driver's seat and you guys make the decisions. I know there are people telling you, and on the Council too, this is what we want, what we want.... but if this truly is independent, then you guys do it. That's what I want to see, because apparently there's not trust by the public. What I'm hearing is we'll never get another bond issue passed. I really want to put this to rest and move on after we get this audit, because my people say there's a lot of infrastructure that needs to be done. And if this is what it's going to take to regain the public trust, let's do it. Let's get the plan, and you say you're going to have this audit by January 2016. I just look forward to the conclusions of your audit. That's all I'm going to say."

- Chair Dominguez pointed out someone else will be doing the audit and we're just helping them develop the scope for the audit so we all the questions are answered in accordance with professional procedures and everything else that the State Auditor's professionals do, that auditors do. He thanked the State Auditor's Office for helping us to provide the transparency and accountability that the public demands and request.

GENERAL DISCUSSION

Chair Dominguez said, "Yes, indeed our parks are in much better shape and that's the result of a lot of work, not just by Parks & Recreation staff, but by the Governing Body, management and everyone from top to bottom. And most importantly from the public, because they're the ones that demanded better parks. So with that bond, with this bond, yes indeed our parks are in much better shape. We need to thank previous and current staff for all the work they've done. It's not easy to provide the reams of paperwork that have been provided to us and we need to thank them."

Chair Dominguez continued, "But we also need to thank POSAC, because they've been on this from day one. Part of the reason they were formed was to work with the Governing Body and management to ensure we have better parks."

Chair Dominguez continued, "I will say it's interesting to me that throughout all the documentation, you see little examples of where maybe staff is saying POSAC has overstepped their boundaries, but on the other hand, they're pointing out the fact that they didn't tell the Governing Body something, but they told POSAC. Interesting observation to me that on one hand it's too much and on the other hand, maybe it's not enough."

Chair Dominguez continued, "Like you, Councilor Trujillo, I'm tired of this issue. I've been on the Governing Body since this thing got approved and have asked doggedly many questions and have wanted answers. And so like you Councilor Trujillo, I am absolutely tired of this issue. I would rather be working on things like providing healthy food to our constituents in District 3, because we all know the issues and challenges they have. And hopefully, we can start to bring some closure to this, but it's not going to be by this Governing Body, because staff continues to provide us either not enough information or in some cases too much information."

Chair Dominguez continued, "So I'm going to be focusing on two things, and then maybe I'll talk a little bit about next steps. First is management's intent and after that will be the Governing Body's intent. And the reason I bring up intent is because, if you look at the Memo that I think Kelley [Brennan] provided the Governing Body on Friday, it talks about usurpation of the Governing Body's authority. Let me just read to you here, it says, '*Usurpation implies illegality or encroachment and suggest intent.*' So I want to talk a little bit about management's intent at the time."

Chair Dominguez continued, "What I've done here, and I'll make it available to staff and they can make copies of it. I did a timeline from the time that the Parks Bond was approved by the voters to tonight's meeting. And not everything is included in there, but there are certainly, definitely some things in

there that indicate to me what the management's intent was. I believe management intended to use that money however they wanted and that the old saying, asking for forgiveness is better than asking for permission. It certainly is the case here. And it's something that upsets me, because we're talking about trust. 23 days after the bond was approved by the voters, charges for maintenance were made for the Adam Armijo Park. I have examples of that and I have a list of exhibits that indicate that. Amelia White, and I didn't even go through all the parks. I just went Adam Armijo, Amelia White, Calle Lorca, parks maintenance, labor, labor, it's written all over this. And these are snapshots and screen shots of what management provided. And the fact is, that in many cases, 23 days after you said yes, management was already charging maintenance to parks."

Chair Dominguez continued, "Up to 2½ years before the City Attorney even gave an opinion, there are indications that maintenance was being charged to City parks. And that's all in this timeline, and I meant to make copies for the rest of the Governing Body. I'll make sure staff has copies of it so you all can take a look at it. *[STENOGRAPHER'S NOTE: The document was not entered for the record.]*."

Chair Dominguez continued, "So what that tells me is that there was some intention by management to utilize that money how they figured they could use it, and then later, if they needed to ask for permission, they would say we really meant to bring this to you earlier, but things are just the way they are and such is the case. I want to look at the Governing Body's intent as well, because we're not necessarily completely off the hook. We have ultimately the responsibility to the public about how this money gets spent. Yes, indeed, I don't think the Governing Body intended to lay anyone off and they authorized use of this money at maintenance, because we did not want to lay people off and we wanted to make sure that our economy, that somehow we got through the tough economic times that got us to that point."

Chair Dominguez continued, "There are several instances, and I have this as well in my presentation, where the Governing Body, myself, Councilor Bushee, Chairman Ortiz, Councilor Trujillo, all asked for additional information. They wanted things to be clarified as we went through this process, and they wanted it because we knew we had to hold management accountable, and we're ultimately accountable to the public. And so there was definitely, just based on that, this intention by the Governing Body to make sure there was a level of transparency. And I think the other intent by the Governing Body was to make sure that management felt the Governing Body was serious about this. I think that's the part that bothers me the most is that there seems to be this, well, as I said before, it's your fault and our fault and so because it's everybody's fault, it's nobody's fault. That's not the way government should work."

Chair Dominguez continued, "Two years later, we have not been provided with all of the payroll. And I know there's an excuse or a reason why, but we haven't been provided with that information. I had to go through tabs and pages and click from one side of the website to another and look at other pieces of documentation just to put together the little bit that I did put together. That's not what the Governing Body asked for. The irrigation audit, that's not provided. I know Brian provided with some additional information about what he's looking for, but the Governing Body did not ask management to determine whether or not there was baseline or anything else. They wanted the information. That's just, again, some of the spin on some of the things that we have been continually dealing with. You may disagree Brian, but I do not see in the Resolution where it says that the Governing Body asked for a baseline on the irrigation audit. It simply

says what it says. And not only that, but I think the irrigation audit is there to identify efficiencies, and we shouldn't even be having to ask for an irrigation audit like that. Parks and Recreation should be doing those kinds of irrigation audits on a continual basis."

Chair Dominguez continued, "So, some of the things that I think are a little bit disingenuous, like the Golf Course, the statement in there that historically the golf course and the MRC are together. Now technically, that is true. Technically it's a fund, and if you look at our budget book, it's all under the same fund. But we all know and it's been articulated in many different ways by this Governing Body and even previous Governing Bodies that the Golf Course and the Soccer fields are not looked at together. They are looked at separately. You have different management systems for each one. You have General Fund operations that do part of the fields and the Golf Course is enterprise and they generate the revenues they need to operate, but the fields don't. We've had those discussions in the past. And so to say, well the Golf Course and the fields are part of the MRC and so we felt it constituted the spending of that money the way it was spent. Ground rules that were not approved by the Governing Body, I don't think were approved by anybody. They were just talked about. That's a little bit disingenuous."

Chair Dominguez continued, "And then this idea that, well there's things that are approved in the budget that you all agreed to. Well, we all know that during that budget process, we don't necessarily talk about the minutiae. There are lots of big problems that we have. And staff providing one memo in a Finance Committee meeting, changing that memo and providing us a different memo at Finance, but not articulating that, that there's a difference. There's lots of instances where that has happened, and I don't think that's really appropriate."

Chair Dominguez continued, "So what are the next steps. The number one thing and I think it's been said in different ways and that is trust. How do we get the public to trust us, how do we trust management. I think that's one of the most important things, and we all know that trust is one of those things that's hard to gain and easy to break. And so I think this management team has some extraordinary efforts to make in order to gain some of that trust back. We have existing policies and procedures. I think they're part of your memo, right, this new Capital Projects Reporting Procedures and Policy. I don't know. Have we debated that. I don't know if the Governing has debated those policies and procedures. So we want to establish the trust, well those are things we need to have a debate on. Complying with the existing legislation. If you look at the very last Now Therefore Be It Resolved, and this to me is a no brainer and a simple one, unless there's some technical reason, it says *Be It Further Resolved that City Staff is directed to permanently end the practice of using City force account work to accomplish bond projects.* So if you want to establish that trust, you need to pretty much do what the Governing Body asks you to do, and if you can't do it, explain why."

Chair Dominguez continued, "One of the comments I had here was for the State Auditor. Thank you again for your work and for sticking around to hear us. The other thing is getting an opinion from the Attorney General. You know, this previous City Attorney didn't even make the opinion. He just articulated it, and it's identified in a set of minutes. It actually was one of the City Attorneys, not The City Attorney, but one of the City Attorneys that had to render the opinion in an official memo. That is odd to me, I don't understand, unless I missed something somewhere, that's kind of odd to me. But we know that property taxes do not need a public vote if you're going to use those property taxes for operations, and that was not

the intent of the Governing Body in the first place. Yes, we allowed it, but if we were going to be utilizing a property tax increase for bonds to utilize for operations, we didn't even have to go out to the public to make that happen. And so, I think right there, that speaks to the intent of the Governing Body and it is to be utilized mostly for capital improvements as much as possible. One other thing Councilor Bushee, and then I'll be turning it over."

Chair Dominguez continued, "I don't think that management's role is to decide somehow, or find out how they can outwit the Governing Body. The Governing Body has a lot of work to do. I put all this stuff together and I don't have resources of the Finance Director or other departments or paid staff. I have to read it all, I have to talk to a few other people who aren't paid staff to get to the position that I've gotten to. And so, management's job is to be truthful and to provide the Governing Body with as much information as they possibly can."

Chair Dominguez continued, "And then finally, I think if the Governing Body is going to have to dissect every piece of information and get to that level of minutiae, government will stop. And that's what I feel like we have had to do, is get down there and debate whether or not maintenance, or how do you define improvements. I think that's a shame. That's not trustworthy. That is not the role of government. The role of government is to provide or make sure that services are provided. I would rather be spending my time dealing with real issues and making this community much better than it is in dealing with this kind of stuff and having to get all emotional about it. And so, there you go. That's my two cents on this thing. I'm hopeful that we can get to a better place. I know that I will do everything I can and work hard and we're already done that to make sure we regain the trust of the public, and I look forward to the future."

Councilor Bushee said she comes from a similar place although she goes back a little further and was there when we sent the bonds to the public for its approval. She said, "Previous to, I don't know, I guess it was a different City Attorney. And I guess it goes to show you can usually find, it's that Harry Truman saying, you need a one armed attorney because it's always on the one hand and on the other hand. What we really have here is, when we were first discussing putting these proposals out to the public, I remember working with TPL, and I just ran into Jenny Parks who was running it then, just last night. And I said, 'Jenny, nobody ever gave us the opinion, TPL or the attorney at the time and I can't remember who that was, that we could use these funds for operation and maintenance. She said, no never'."

Councilor Bushee continued, "And so we put it to the voters with a clear statement of we were going to do all of these parks improvements. Councilor Ortiz came from the side of families need more park. I came from the side of we all need more trails. And so we were really clear. We worked with folks like Bette Booth and Shelley Robinson, all kinds of folks who went out and they were the cheerleaders for these programs. They put a whole packet together as an explanation as to what we were going to do with these funds if the public was so kind and willing to trust us. And again, we're back to that word trust, trust us to spend the money appropriately and efficiently and effectively."

Councilor Bushee continued, "And then what I did a little bit tonight was, I'm reading through over 20 pages of minutes, where I'm asking the same questions, *ad nauseam*, trying to discern, trying to decipher. I'm getting these very generally padded figures. I'm just going to read a few, just so you understand really, how hard this has been to get that information. And we're still asking for the same information and it goes beyond frustration."

Councilor Bushee continued, quoting from the minutes, "*I said on average, each District is over what was approved by about $500,000. She said, for example, the Bicentennial Pool was proposed at $16,000, but the expenditures are about $60,000, asking where they are shifting the funds from.* And then it goes on to say, *You're saying the projects aren't over budget but we're squeezing position in this Park budget for each of these projects.* And poor Fabian Chavez was just doing what he was told. And he was told at the time by the Finance Director that you have to capitalize these projects, whatever that meant to him. He admits throughout the dialogue that, yes, we're using it for maintenance. We have to now incorporate these positions. Sometimes they didn't call it maintenance, they called it project management, even though a former City Manager, throughout it I say, *'I thought the bond was about construction, not maintenance'*."

Councilor Bushee continued, "And I asked where the funds are being shifted from. And poor Fabian is just saying there's a big pool of money and we're shifting it from there. I ask staff to prepare a direct correlation from to an amount and a decrease and increase of what was done for each park. *'I don't understand where you're cutting and pasting all these figures from.'* I emphasized Paseo del Sol was supposed to be an additional $44,000. Where are the funds coming from. I said, *'This gets hard to follow, this shell game about where the money comes from.'* There's already a shell game. He said, and this is Fabian, *'We're originally pulling payroll out to pay for project managers and maintenance people. In some cases, they pulled more payroll from a park than they should'*."

Councilor Bushee continued, "It just goes on and on, but I want to get to the part where we get to the attorney and we get to the City Manager at the time. I said, '*The whole shifting isn't clear project by project, I'm concerned that we're taking administrative costs and sticking them into projects where we'll get less bang for our buck than what we promised the voters. So at some point we might have to go to them again and ask for other park bonds, and I want to make sure we've done this correctly*.' We were also told at the beginning, at least as I remember when Councilor Ortiz first brought this forward, that we could have minimal use of this bond for anything but construction. It was clear, clear, clear and I believe it was the same City Manager, so when again we get a little bit of permission somewhere along the road and we get this definition from former City Attorney Geno Zamora who says, *'you can use it for improving land, which can include anything, including pulling a weed*.' And I asked, *'So you've now shifted about $600,000 and it grows over into positions. I said what are you going to do with these positions when the bond is done, if you're saying they are solely dedicated to these jobs.'* And he says, this is the former City Manager, '*That's correct. Once the bond is over we're going to have to find another place, or lay people off or do something.'* Now you know, he says this will be covered to the end of 2013, I believe he maybe exited somewhere along that time frame, so he wasn't left to deal with this mess."

Councilor Bushee continued, "But he said, at that time, '*We'll have to make a decision whether we can find another sources to cover these salaries or these positions will go away, but you're correct, we'll have to figure something out.*' Well no positions go away. I continue to just say I'm going to vote against these things. It just gets more and more frustrating, because the same kind of questioning, of like, well what's happening, because it was never clear. And then you've got the lawyer helping you out, trying to figure out how you can do that. So anyway, it goes on for pages of this, and the frustrations is, today, we still don't have the kind of breakdown. And BTAC has a littler easy job, because the trails were done primarily through contracts, not in-house."

Councilor Bushee continued, "We had clear goals and amounts, but some monies were shifted and so when I asked for the payroll information, I got this very vague one page Parks thing that doesn't break it down by the hour, and position and what they were doing. And so when I asked the State Auditor what kind of information do you need, we still had not received the kind of information we need to make good decisions. We just pretty much got things in a very glossed over manner to say, look, you approved the budget and these things were in the budget. And we were proceeding along the way to ask the questions and try to get the reports and try to get an understanding of exactly how they were padding these budgets and what that meant for those projects."

Councilor Bushee continued, "Now for my BTAC Subcommittee, when I often did the audit by running around physically inventorying the trails, but we still don't have any of that Siler breakdown of what was done, what moneys were shifted, and these are the smaller portions of the funds. And so I understand that the current administration wants to say, well that was the other guys, but honestly, if we still can't get this kind of information out in a straightforward and transparent way to both the Governing Body and the public, then we're failing. We're failing to the extent that we have broken a trust. And I'm not saying that we're innocent bystanders up here, but I do believe at the time, at least a few of us, we were really trying to ask the questions and we weren't getting the answers, and we're still not getting the answers. I really hope that the attitude shifts and the information is forthcoming, and it's just like here. We are an open book and we can really say okay, some mistakes were made and take responsibility. But at the rate we're doing this and how we're doing it now, it's not going to improve the public's trust and I care about the quality of life and these projects and that we do a good job."

Councilor Bushee continued, "What's is a little unfortunate is I think some of the public just thinks we lost $30 million, so we have a long way to go in trying to explain exactly what has happened with these funds. I think the answer should be from here and the administration should be, yes, yes, yes, now, yesterday, we will get that information out so we clear this misperception."

Councilor Lindell said she has questions for someone from the State Auditors Office. She asked if they have any kind of financial commitment the City needs to make for this audit.

Mr. Stewart said they don't have an estimate at this point, commenting perhaps management put together an estimate but "we don't have an estimate."

Councilor Lindell asked if it will be $100,000, $500,000, $1 million.

Mr. Stewart said, "At least 6 figures."

Councilor Lindell said we've already spent $50,000, so at least 6 figures.

Councilor Lindell said, "As far as longevity on this, in reading through these minutes, I don't have much longevity on it, but I would agree with what numerous people have said that I don't think it's any secret to anyone in this room that there was Park Bond money being spent on maintenance. Anybody that sits up here or in the audience that says they didn't know that, they weren't living here, I guess, because I think everybody knew that. It's been talked about for a very long time and everybody has some responsibility on that. I think that another thing that I constantly hear is, well we lost over $30 million on a park bond. We didn't lose $30 million. We have accounting for the spending that I saw on a sheet today of $25.5 million and I'm sure that's not the complete amount, and that there is some small balance left. So when people say we lost $30, we didn't put $30 million in the back of a pickup truck and drive down the road and let it blow out. Certainly, the Parks do look better. There's a lot of improvement. And I think people are faced with.... it's been said that we were faced with either spending some of this park bond money on maintenance or laying people off. And I don't think anybody wanted to lay people off. So it was probably, at the time a little bit easier to just go ahead and spend some of this money on maintenance. Now over the course of time, is that good policy. I think we all agree at this point in time that it's not good policy and that we have to do better."

Councilor Lindell continued, "Going forward and earning the public trust, I think we have a commitment from the Committee, I think we'll have a commitment from the Governing Body that we have to do better with our project management, and I also heard Oralynn speak to that. This includes documentation. One thing I did see in numerous columns in the memo you sent last Friday, Oscar, was capital projects reporting procedure policy that's new. Has that been reviewed in any Committee."

Mr. Rodriguez said no, that's a directive to staff by the City Manager which is where we put those kinds of procedures.

Councilor Lindell asked if it has been completed.

Mr. Rodriguez said yes. It's been promulgated. We have started on those procedures verbally already. The staff has given verbal direction to do that and we put that in writing just to make absolutely sure.

Councilor Lindell said, "I'm just going to say that in trying to everybody get on the same page and be helpful with this and move forward instead of standing in one place and pointing at each other, to go ahead and put those policies on as an addendum to a document like this would be helpful to us so that I know really what the response and action is. I don't know what's in that document. So those are things that would really be helpful. It's really hard a lot of times because we can't have it both ways. We can't pay for the maintenance that needs to be done. We don't want to lay people off and it probably means monies were not spent the way that we committed them to be spent."

Councilor Lindell continued, "So, in looking at the future, I know we can do better, and I think a big part of that comes from better project management, including better documentation and including certainly, better communication to the Governing Body so that if it is unacceptable, the Governing Body can talk about it early, rather than years into a project. I would like to thank everyone that's participated in this. I would like to thank the members of the Committee for all the time that they've put in, and certainly staff has put a huge amount of time into this, and I really am appreciative for that information. So thank you Chairman."

Councilor Maestas said, "Just kind of in closing, I want to thank you for pulling this together. I think this is the first real major opportunity for folks to weigh in on this issue, and I know it's been frustrating and maybe folks feel their City government isn't being responsive to their funds, and this is definitely a concrete way of saying, may look we want to give you the opportunity to be heard and weigh in on this." He said this isn't the end, and there will be a continued dialogue and tonight represents a major step in healing and trying to put this behind us, but making sure we're going to answer as many questions as possible and making sure we learn from these lessons. He thanked the public for coming. He said although this didn't happen on his watch, fixing it is happening on his watch and his source of motivation. He is going to provide as much scrutiny as he possibly can until he is sure we have the appropriate checks and balances in place. He won't apologize for scrutinizing the State Auditor and this process. We need to check to see if we're asking the right questions which he intends to do. He said we will have the opportunity to approve the audit contract in mid-October. We have milestones ahead of us in this process.

Councilor Maestas said it is important to restate that not all questions will be answered, and the community needs to prepare for that. He doesn't think we may account for every single penny as was promised previously, and people need to look to insure that we are doing everything we can to answer as many questions as possible and make the necessary changes to help prevent this from happening again. He will do his part to do that. We're making progress and "let's all get on the same team and move forward."

Chair Dominguez recognized Councilor Bushee again, asking her to be respectful of Councilor Rivera's time.

Councilor Bushee said, "It will just be a minute. And the bottom line is really though, and I'm going to say this to you Oscar, you're in this seat now and you have the responsibility. The auditor's job is going to be only as good as the information he gets." She asked that he provide every single, little detail, commenting it didn't happen on his watch, but it is his job to provide that information now.

Mr. Rodriguez said, "Got it."

Councilor Rivera thanked the public that came out to speak as well as POSAC members that have been working on this, and Councilor Bushee, Trujillo, Dominguez and others that were asking the hard questions early on. He said what concerned him, and he's reading from the REDW Report that says, *When the economic recession gripped the local economy and gross receipts taxes plummeted, the City tapped the 2008 bond program to avoid laying off hundreds of workers,'* which is what Councilor Lindell was saying. It says, *"The new policies and procedures to administer the capital program in this new, much*

more hands on way, went up even as the at-risk work force was switched to the bond program." The continuing at the bottom, it says, "*The new way of working was launched parallel to the City's standard project management system and was never institutionalized, as everyone expected the need for it to be temporary."* So there had to have been some thought process as to what they were doing was right or wrong, and instead of institutionalizing it, instead of getting approval to do what they were doing, they were thinking this is a temporary fix and we'll get back to normal later.

Councilor Rivera continued, saying, "It goes on to say, *'As we know now, the hastily drawn ad hoc system that was put in place in 2008, stayed in place. The 2008 program has become the standard for how the City manages the capital projects* that are implemented with City forces. It became the standard.' *So even though they knew it needed to be institutionalized, there was some thought process as to whether it should have been institutionalized.* And I can't help but think that many of the Councilors that were here in 2008-2009-2010 were asking the hard questions and never getting the answers they wanted that they were avoiding the issue of institutionalizing the practices that were being done. And that concerns me. As much as staff and management knew what was going on and chose to ignore it. And I think that goes across several managers and several people throughout the City that probably at some point should have taken a step back and said what we're going isn't right and we need to bring it up. At some point it should have been brought up much more than 2014-2015 when we really started to do the REDW audit and so on."

Councilor Rivera continued, "I applaud everyone for asking the hard questions and bringing up the hard issues. I know it's a tough thing to deal with, but we do have to regain the public's trust. I'm looking forward to getting this done and moving forward in a positive direction."

Chair Dominguez said, "I'm going to leave with these 3 things, and this is really coming from, really from Brian Snyder, but it's a supplement that was dated July 22. This kind of sums it up, all 3 of these statements here by City staff. It says, '*We cannot say with absolute certainty that there was no misapplication or misappropriation of bond funds.'* I think that's something the State Auditor should definitely and absolutely pay attention to, just that statement in itself. The second thing is, *'Staff cannot say with absolute certainty that the Governing Body was kept fully informed of Bond Parks & Trails Project tasks throughout the bond implementation period.'* I think that's something that again, City Management should take wholeheartedly and do everything it can to keep the Governing Body fully informed. How you decide to do that is up to you, but that's what it comes down to."

Chair Dominguez continued, "And then the last thing is this, and this kind of cuts to the chase for me, '*We do believe that City staff should work with the Governing Body to establish a system of reporting that will assure the Governing Body receives, on a regular basis, the information it needs to exercise its authority in a clear and concise format.*' That's not something that should be explicit, you shouldn't even have to write that down. That should be absolute. That's not something that you should have to articulate in the Memo. We shouldn't have to guess whether or not City staff is providing us with a clear system of reporting. I should be implicit, so I will leave you with that."

Chair Dominguez continued, "I think there are some next steps. I guess part of it is going to be Councilor Maestas' resolution with regard to the bond. I think there's some specific direction to staff there that was not mandated by Councilor Maestas, but the Governing Body collectively mandated. And so thank you very much again to the State Auditor for showing up and take our sincere concerns about this as sincerely as you can."

5. OTHER FINANCIAL INFORMATION

Mr. Rodriguez said there is no other financial information.

Councilor Bushee asked when the payroll information will be on the website.

Mr. Rodriguez said, "The staff that has the capability of putting all this information together, was pretty much off-line just working on this, starting in late April, and then the year-end close came around. We're far enough into the year-end close now that we can reassign them."

Chair Dominguez said, "The question was..."

Mr. Rodriguez said, "Wednesday."

Chair Dominguez said you gave a pretty good reason, but we're been asking that for two years now, and he knows he can't answer for that. He said, "We'll be looking forward to it on Wednesday."

Mr. Rodriguez said, "Wednesday. We acknowledge the links... in fact I myself ran into a link which has a hard... sometimes those links fail. We've re-flashed it and will continue to re-flash those things to make sure those links are always working and so hopefully, when all of this is up, we'll have a much higher percentage of the links working at any different time."

6. MATTERS FROM THE COMMITTEE

A copy of "Bills and Resolutions scheduled for introduction by members of the Governing Body," for the Special Finance Committee of July 27, 2015, is incorporated herewith to these minutes as Exhibit "9."

Councilor Maestas introduced a Resolution authorizing the placement of a question on the ballot of a special election to be held in conjunction with the Regular Election on March 1, 2016, to ask the voters of the City of Santa Fe whether or not the Santa Fe Municipal Charter should be amended to include a provision to establish an Independent Office of Inspector General for the City of Santa Fe.

7. ADJOURN

There was no further business to come before the Committee, and the meeting was adjourned at approximately 8:00 p.m.

Carmichael A. Dominguez, Chair

Reviewed by:

Oscar S. Rodriguez, Finance Director
Department of Finance

Melessia Helberg, Stenographer