

**SUMMARY INDEX FOR
SANTA FÉ CITY FINANCE COMMITTEE
April 28, 2015**

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MINUTES OF THE

CITY OF SANTA FÉ

FINANCE COMMITTEE

TUESDAY, APRIL 28, 2015

1. CALL TO ORDER

A special meeting of the City of Santa Fé Finance Committee was called to order by Chair, Councilor Dominguez on this date at approximately 9:07 a.m. in the City Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fé New Mexico.

Chair Dominguez thanked everyone for attending and asked all to give their attention to the Committee.

2. ROLL CALL

Roll Call indicated the presence of a quorum as follows:

MEMBERS PRESENT:

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

MEMBERS ABSENT:

None

OTHER COUNCILORS ATTENDING

Mayor Javier M. Gonzales
Councilor Patti J. Bushee (in the afternoon)

OTHERS ATTENDING:

Mr. Oscar S. Rodriguez, Director, Finance Department
Mr. Cal Probasco, Finance Department
Mr. Andy Hopkis, Finance Department
Mr. Bryan Snyder, City Manager
Mr. Carl Boaz, Stenographer

NOTE: All items in the Committee packet for all agenda items were incorporated herewith by reference. The original Committee packet is on file in the Finance Department.

Mayor Gonzales said he was hopeful that this Committee can validate a budget that will hopefully set a course for the future that allows us to spend the revenue the City generates and rebuild reserves critical for helping the City create pools of money that can be tapped for advancement of City employees and set aside funds for critical infrastructure projects. Many will say that is asking for a lot and it is because we are trying to do this without raises in taxes. So he commended Councilor Dominguez, Chairman, and the Finance Committee for bringing forth powerful ideas and ways of dealing with that process to deal with critical issues and invest in quality of life matters like parks and communities to assure the citizens here has a government responsive to their needs and create a healthy quality of life for our community.

He believed they could get through that and approve a budget that can deliver priorities for the City. He looked forward to participating and listening to the ideas. He hoped in this process that each department will be able to delineate the outcomes they hoped to achieve - not just last year compared but some things that can be delivered over the course of a year to the public - with police, reducing property crimes and violence and drug trade; with clear outcomes so the public knows what their money is going for. And hopefully next year we can see the results.

3. APPROVAL OF AGENDA

Staff had no changes.

Councilor Maestas acknowledged this is a tight schedule but wanted to add a discussion under D, Financial Policies, to review Prior Year Encumbrances and make sure it is not as large this year and maybe negative cash balance carry overs. And the only other change is under 5, F, 1 to add under Major Issues - Annexation and e - Public Works Labor subsidies by bonds and how we can fix that. That might push some things into tomorrow but half hour may not be enough time for major issues.

Chair Dominguez agreed that it might not be enough time. He asked Mr. Snyder if he had information on annexation. Some was presented at the other meeting.

Mr. Snyder said he hadn't prepared anything regarding annexation for today but would give the consistent message that we have challenges and need to fund all the positions requested. There are high vacancies so he thought they could pull together some information to present later in the day.

Chair Dominguez asked Councilor Maestas if that was okay.

Councilor Maestas agreed. They had a tally sheet and it had been a dashboard for Council on tracking reoccurring deficits and, based on the BBER report, there were some big issues for annexation that have not been met - not just recurring but also one-time.

Chair Dominguez said they could have that discussion.

Councilor Lindell moved to approve the Agenda as amended. Councilor Rivera seconded the motion and it passed by unanimous voice vote.

4. REVIEW ESTIMATED FISCAL YEAR 2014-2015 YEAR-END REVENUES AND EXPENDITURES

Mr. Rodriguez presented this review. He said that, as a part of the budget, he is projecting out to the end of the year. He also recommended with revenue and expenditures to approve the change for a solid beginning balance for next year. This is the recommended budget for next year. An important part is to consider the financial policies and they are substantial for new directions on how the City's finances will be managed.

Very different here and going along with the agenda is to focus and get clarity where we are financially now. When we go to expenditures in the different funds and after you understand that, you will understand the possibilities for the future.

He started with what was not in the budget. They are not recommending a tax increase. There is a parking rate increase to satisfy the parking debt. Other than that, there are no other tax or fee increases. The main reason is that, rather than increase, they will just pay off past debt and keep moving forward as the challenges are solved.

Another thing not included is a GAP sheet. If there were other resources available, he would recommend they go against the deficit. It would be presumptuous to hoard that money.

The departments are aware of their needs and what is needed to meet those needs. Even so, they took cuts, based on this conservative approach. The budget in the past had included vacancy savings to balance the budget as x% for whatever was needed to balance it. This year we have calculated what was clearly needed and those things not needed have not been put in the budget. The Committee will hear from the departments the effect of doing that.

Chair Dominguez asked if meant that administration has decided to take vacancies out of the budget.

Mr. Rodriguez said they are not funded. But for the resources available, the budget is based on what was requested. We estimated the turnover in the departments and those resources as a whole number get eliminated so they only have the resources needed for that.

Councilor Lindell needed to know the details for that.

Mr. Snyder clarified that there is no way we could have a 4% vacancy savings this year. It would be a higher percentage so it is based on what the vacancy savings could realistically be. It is a certain number of staff. We went department by department instead of just making an across the board percentage cut.

Some might be as much as 12%. It is based on past history and future projections with retirements, etc.

Councilor Lindell understood some have been vacant for several years and they were eliminating those positions for those that were vacant for at least two years.

Mr. Rodriguez explained that all they were doing here is estimating the resources needed in each department for the coming year and that recommendation will go to Council to adopt.

Councilor Maestas reasoned that it is not just vacancy rate assumptions but the practice for savings at end of year which is not a sound financial practice and he hoped we cannot use that to offset deficits but to estimate resource savings and talk about what we can do with the money.

Councilor Trujillo assumed that was what the Committee would look at in these budget hearings about what positions would be eliminated but apparently staff has already cut them or just not budgeted for them.

Mr. Rodriguez said the Departments said what they needed and Finance worked with them on how much money they needed and then that goes directly into their expenditures and identifies what positions are being funded.

Councilor Trujillo pointed out that there is x amount not filled but some departments need x number of employees and he hoped they could transfer those resources where needed.

Chair Dominguez said the difference he was hearing is to fund those we can instead of cutting out positions.

Mr. Rodriguez agreed and went to the PPT on year end projections. Step one is to estimate how to end the current year. What is in your packet is a monthly financial report.

He reported that he has been issuing a monthly financial report since January. Each department has been seeing the fluctuations each month and in some cases, they have been right on target, especially on revenues. The budget is on course overall with GRT (which is a little slow coming in) but will be made up by year end. One that is much higher is Lodger's Tax. That isn't before you today but will be at some point.

Chair Dominguez understood that on the revenue side, the GRT is the main source. But fees and taxes make up 37% of revenue.

Mr. Rodriguez agreed.

Chair Dominguez asked about the reason for property tax increases.

Mr. Rodriguez said they had a meeting with DFA on that point and he couldn't tell you if that is coming in because of annexation. Maybe over a year or two, it might stabilize but it has gone up considerably.

Chair Dominguez thought typically it is a 3-4% increase.

Mr. Rodriguez said earlier it was less than 2% but now it went up substantially and it should stabilize next year. The chain of information is long, with assessments and reports going to the State and the State applying a formula giving a certain yield and if it is up a lot, they could lower our tax rate. So we have to recognize the yield and the City has not done that in a long while. Between DFA and his staff, it is at a plateau this year or next year. We assume it is because of annexation. So in the General Fund we are rounding it down 1%.

On the expenditure side, the General Fund is the base (aside from Utility Funds). So we are reducing contracts and one-time expenditures and the vacancy savings.

The ending balance is estimated to be almost \$4 million and may allow us to make up the deficit in the coming year and also deficits in other funds so we can go forward without increasing revenue and you will see that in great detail in the various funds that over the years have generated deficits.

Chair Dominguez knew that contractual services are down.

Mr. Rodriguez estimated it is down and the main reason for the cuts is that GRT is coming in slower.

Chair Dominguez asked if those cuts in contracts were reflected in the budget.

Mr. Rodriguez agreed and referred the Committee to page 34 and 35 - MRC, Airport and Civic Center where they could see the negatives that have been there for years. So in this budget plan we want to not increase those but to decrease the deficits for next year. So when we realize savings, we would put the excess against those deficits. The Capital Fund has been negative and now \$2 million in the red so we will put \$800,000 into that fund.

Those are the projections. If you want to see what that means, page 38 shows the cash balances for each of those major funds. We have 600 funds but only the major ones are shown here.

So that is how we project and we are recommending that you recognize those savings and reprogram them. That is what the BAR chapter is all about.

We recommend total savings of \$1.25 million. It is conservative but defensible. And use \$70,000 to balance the HR department and from the \$1 million to transfer out of the General Fund all but \$155,743 as a balance.

His next slide showed a summary of the adjustments. He explained that the detail is on the BAR list. This is just a summary. He went through the various adjustments by department for the Committee.

Chair Dominguez considered this as a different way to communicate it to the Governing Body. The logic is to transfer those funds so that next year we won't increase the deficit. It doesn't fix the problem but

mitigates it.

Chair Dominguez looked at Parks Water with a decrease of \$400,000 and asked if it was budgeted but not being spent.

Mr. Rodriguez agreed. They budgeted \$2 million but based on prior use consumption patterns and obviously there is guess work on the weather but \$400,000 will probably not be spent so that amount is being moved into other funds.

Councilor Maestas couldn't understand the transfer out of IT, while having incredible needs for equipment, etc. Those needs are well documented needs.

Mr. Rodriguez agreed that IT has many desperate needs in order to be successful and this just doesn't reflect that. This money is not going to be used this year. Those resources expires at the end of this year. And this just says at the rate they are spending, \$140,000 would be left on the table at year end. IT is no less a priority.

Councilor Maestas pointed out that IT is one of the few expansions in the budget.

Mr. Rodriguez agreed. It is the only one.

Another element not in the budget is the capital projects. They are taken out of operating budget with establishment of a new capital fund starting in July.

Chair Dominguez said there needs to be lot of discussion on the policy here. Mr. Rodriguez agreed.

Councilor Rivera said in the case of the Police Department there is \$275,000 and is it overtime and gasoline. Mr. Rodriguez agreed.

Councilor Rivera felt this sends the wrong message since Police and others have done a great job in saving money. They are getting costs cut to end of year and asked why they shouldn't spend their money.

Mr. Rodriguez explained that Council budgeted the money so they could use what they have but not more. This amount is projected to be left on the table. It seems that at the rate they are spending, they would not use all of their budgeted funds. There is also a question of discipline. Don't just spend it because it is something you can do. Don't throw extra water on the parks because you have money in the budget.

Councilor Rivera just thought it was the wrong message.

Councilor Trujillo understood because gas prices are so low right now, but they will change.

Mr. Rodriguez said this amount is what we think won't be used this year.

Councilor Rivera asked what was cut from HR.

Mr. Rodriguez said it was on a number of things and we can talk about it in detail when hearing from that department. It is a cost center where a lot happens. Also some costs in HR are costs that should be accounted in to several other departments.

Mr. Rodriguez summarized what was in the BAR and said it was their recommendation about what to do with the extra revenue. This is just a very basic first step in the budget.

Councilor Maestas asked at what point the Committee would take action on the BARs.

Mr. Rodriguez explained that it is part of the resolution. When the Committee approves the budget, it also approves a beginning balance.

Mr. Rodriguez next showed the net effect of the year-end budget adjustment in table format.

Councilor Maestas said he mentioned prior year encumbrances and since this is closing out the current budget, he thought there would be some POs closed out. So he asked how they identified those encumbrances and how he could be assured that they have been included in the budget for next year - pending invoices not paid and estimate that tally.

Mr. Rodriguez said first of all, that under the new management policies, that cannot happen again. Current year expenditures are recorded in the current year. So you are directing us to do that and also have a procurement plan to clearly show what they are going to buy and when they will buy it. So when May or June comes around they won't have the big spike in spending.

This is an institutional change of behavior that is not easy for organizations to make. It will minimize the carry forward. Last year it was \$45 million. He agreed that some are unavoidable when a service gets delayed or broken into several steps that go past June. But that will be recorded as an expenditure this year, not next. It will spend this year's money, not next year's money. The Committee will have that procurement plan available. So we can plan and see where redundancies are evident. He hoped they could stay within 4% rather than 12-13% that traditionally has been carried over in the past.

Mayor Gonzales noted this is a structural shift in how departments prepare their budgets and how the Council uses the budgets by right-sizing to reflect what is needed and it creates savings that could be used for other things than what the Council approves in a budget. So it should show true costs, not inflated, so he approved of this and had every confidence in the departments but budgeting this way will require a substantial change in their behavior.

So the policy is to right-size it but with no change in management in place, he asked how to deal with it when Council starts seeing overruns.

Mr. Rodriguez said there was no question that this represents a huge departure. He has encouraged staff not to use the term "base budget." It is a major cultural shift for them and for the Governing Body.

There are a lot of challenges there including IT. The system presently doesn't support this. The budget is strung out in many places. The accounting goes into Mr. Hopkins' spread sheets and then things are moved around. The system was designed to be a manufacturing software and we modified it so there are challenges here.

He apologized up front for this change but they are moving forward in this new way of budgeting. They are taking some steps this year and hopefully in the coming years they would have not just a resource budget but also of a specific work plan for the coming year. Along the way, people would know when expenditures are getting away from the work plan so it provides better control.

In the financial reports, we are able to see how they are falling out of the work plan.

Mayor Gonzales felt it was a bit uncomfortable for everyone to talk about the true needs but if the Council adopts the policies that right-size the departments it will place a lot of onus on us to assure that services are not being reduced, etc. by right-sizing the budgets.

Mr. Snyder added that reporting and communicating is essential. This is good for management and shifting from Finance to the Departments that responsibility. The Departments know better than any of us what they must do. So it puts the responsibility on them for doing their work. So he supported these policies. They are moving toward having numbers in the monthly report that mean something. They know how to run their business and it brings proper ownership.

Councilor Lindell asked about recurrence, on the utility fund as shown on page 14 of the recommendations going forward regarding the transparent policy to transfer money to the General Fund from the Water Fund. She asked if approving this budget, meant they are also approving this policy. That is something the Committee has not talked about and Councilor Maestas is talking about bringing forward a resolution on this.

Chair Dominguez said there is an agenda item called financial policies and he didn't know if the Committee wanted to go into policies now.

Councilor Lindell said no. She was just raising the issue as worthy of discussion.

Mr. Rodriguez wanted to make it clear when talking about the policy that he is asking the Committee to approve the financial policies as part and parcel of the budget.

Councilor Lindell read from the policy on page 20 regarding user fees and asked when we can expect for that to happen.

Mr. Snyder said there have been discussions on it but for this concept of right-sizing, he was asking for their consideration and for education on what the department needs to run.

Councilor Lindell said the City will attempt to recover full costs and user fees as shown on page 20 and it is an important section. We need some code on that.

Chair Dominguez asked if in the next few months there would be a simplified list of user fees the City charges. He would like to see that.

Mr. Snyder said his goal is to bring it back to the budgets. He hoped to dig into the various user fees and find out the revenues and then would bring back everything to the Committee. His goal was to start the conversation on the programs they are running and the subsidies involved. It might mean a rate increase or it might not. So it is to acknowledge them and work on it with them.

Chair Dominguez agreed with that.

Councilor Lindell asked if Mr. Rodriguez considered this, up to where we are. She wanted to return to Utility Enterprise Transfers later on.

Mr. Rodriguez said in the recommended budget the only increase is parking fees. All this policy does is to say people will be looking at that and it says okay under User fees unless he tells them to look at it further for clarity.

Councilor Lindell asked how much of the actual costs were covered by the fees. It is important to Councilors and how we can identify which fees to reduce.

Mr. Rodriguez said he worked with staff on it and he had to admit defeat this year that they could not put it all together now. They want to distinguish what a fee is and what a service charge is. The intention is to put it in one place and on-line so it is accessible. That is step 1 and then step 2 to show what it costs for that service.

Councilor Lindell referred to page 58 and noted that over the last two years they had \$2 million on ambulance fees and then it went to half of that.

Mr. Rodriguez asked to discuss that when that Department is before the Committee.

5. INTRODUCTION AND REVIEW OF FISCAL YEAR 2015-2016 OPERATING BUDGET

A. Overview of Recommended Budget

Mr. Rodriguez said \$342,260,603 was the total of estimated expenditures and \$331,792,480 were the estimated revenues so it had a deficit. He briefly reviewed the transfers in and out and the end result showed a projected balance of \$7,175,376 (or 35 operation days of reserves).

Chair Dominguez asked how transfers in were decided for water.

Mr. Rodriguez said that was per standard policies (profit).

Chair Dominguez asked if the Governing Body approved is.

Mr. Rodriguez said no and explained this is a recommendation to the Council. While it has not yet been approved, it has been practiced for several years. There are a number of costs the utility bears. But over the years, the costs have been covered by the utility. \$900,000 is a fair estimate of what is done every year. Over the summer, the staff will do a more detailed accounting. This is being transparent that this transfer is happening.

Chair Dominguez said he had lots of questions on this policy but for now he recognized the policy.

Mr. Rodriguez agreed that this takes the City to another level. There is no question about that. And this balance adds five days to our reserves.

He went on to Utility Funds for Water, Wastewater and Environmental Services. He identified the balances for each. There were no transfers for wastewater or environmental services. What was not included here was the extra revenue from GRT. The balances shown were after paying all expenditures, and meeting all obligations.

Mayor Gonzales asked if this accounts for what balance should be maintained.

Mr. Snyder said a financial advisor helped them establish that along with rates, etc. It is tied to the financial plan. Sometimes they are building cash balance to accommodate future needs and projects. That is brought to Governing Body annually.

Mayor Gonzales asked if the balance gets described with the financial plan.

Mr. Snyder agreed.

Mayor Gonzales suggested that if there is a ten-year plan, it would be helpful to know if the City is current with the plan or behind or ahead.

Mr. Rodriguez agreed and clarified this is just for operating to get the service itself. What isn't here is the GRT revenues. In Water, it is \$7.5 million per year and this puts back some of the subsidy.

Mayor Gonzales asked the Committee, going forward, to consider those plans. He asked if environmental Services has a 10-year plan. Mr. Rodriguez agreed.

Councilor Maestas pointed out regarding the Water Fund that the legislation introduced calls for redirecting the \$7.5 million of GRT to go for other priorities - as we all know enterprise funds are to be self-sustaining and ours doesn't with the \$7.5 million subsidy. That is just a piece of the overall policies being

recommended.

Mr. Rodriguez pointed out that Personnel increased 4.7% and Operating went up 4.4%. Personnel has more FTEs as well as increased benefits. It doesn't include any savings from the new health package. So the total increase is about \$9 million and increase for repairs and maintenance was about \$650,000.

He summarized his highlights. It will close with five more days of reserves and the Financial Management Policies with only two program expansions: Deputy City Manager and five new FTE's in ITT and one-time for the pilot of community portions and two new EMT's.

The proposed increase to parking fees is to cover debt service on the parking garage.

Mr. Rodriguez thanked his staff for lots of hard work on this difficult task.

Mr. Rodriguez said some things still remain on the table: realistic capital improvement plan; balance operating deficits in CIP, Police and Fire GRT Funds; and invest in technology to allow for operational efficiencies.

B. Union Presentations

Union Representative for the Fire fighters' Union reported that negotiations have started to get back on track. They will be meeting with the City Manager to go forward. Regarding insurance, it was voted on and forwarded. He asked that the Council allow them to deal with co pays. They hoped the premiums would not go up and asked for more discussion to work together. Right now they are coming to a conclusion on the negotiations

With annexation they have to prepare for that with a new station and new equipment for that area on Agua Fria, It will require 18-22 FTE's which will be a big expense coming up. CIP program is being developed.

Chair Dominguez said he spoke with representatives from the two unions and expressed to them a willingness of Finance to meet with them on the health care plan and get it worked out.

The Police Officers' Association President reported that in going over the calls for service there have been significant increases from 2012 when there were 101,000 calls and are projecting about 150,000 calls for 2015. Albuquerque gets about 900,000 annually. They were told there would be no cuts of police personnel hoped that cuts would not happen. All of our officers are needed.

Investigations and patrol numbers are also going up. On a weekly basis, The Police Department gets 3-4 times as much as the County Sheriff and the City has only 10 more detectives than they have.

Mayor Gonzales thanked him for coming. A year ago he came in and lobbied for the 4-10s to have the ability to deliver service and hit goals. With that, there is less overtime now and the Police need to be thanked for that to have that extra day off and how officers would perform. Now he is hearing we need to recruit more Santa Fé residents to the police force.

So he asked if the union would do proactive recruiting locally and the union support Santa Fé residents who make it through to recruit more Santa Feans for the police force.

The representative said they would support that. It was brought up by Councilor Dimas several years ago. But focusing solely on the demographics of Santa Fé and Española would lower the pool they were able to draw from. Focusing strictly on our demographics, he wasn't sure how it would increase their numbers. Every time someone expresses interest, he asks them to pick up a packet. It is hard to just focus on our demographic alone.

Mayor Gonzales thought even with the 140,000 population and 18 vacancies the City should be able to find qualified people. There has to be at least some outreach done for recruitment. There is nothing better than hearing that from an officer or reaching High School seniors. There are 4,000 "disconnected" youth here who are not in school and not working. He didn't know that any would qualify for the police force and understood it is a challenge. The City has supported the POA on their requests and now need to make sure there is a concerted effort to extend an invitation for those known in this community to join the Police Department. Hopefully we can see more of that activity among the rank and file.

The POA Representative said the police officers are the best recruiters and do that but when we try to recruit locally, they are finding that Santa Fe's starting pay is much lower than elsewhere. In California, it is \$80,000 and transfers are at \$90,000 annually. So it is hard when we try to recruit.

Councilor Rivera asked if the new schedule resulted in a decrease in sick leave as well. He also asked where the statistics came from.

The POA representative said those numbers came from RACC and he could bring those back to get the Committee up to date, particularly for the annexed area.

Councilor Rivera pointed out that the City has an agreement that the Sheriff will assist within the annexed area for three years and wondered if that is occurring. He thought they have sufficient deputies for it.

The POA Representative replied that sometimes we get calls in those areas and the sheriff will say they've been too busy but we have actually called sheriff's office when we are too busy.

Councilor Trujillo said the challenge comes with just being at our schools. He said that as much as he would love to see local kids on the Police force, he questioned how they could keep our kids here. Instead of going out to California, he would love to see a \$5,000 incentive for three years but after that time, they might transfer out. He understood the standards for police officers and was totally behind local recruitment.

Mayor Gonzales acknowledged that every one of us could move somewhere else but the family keeps us here. We just have to work on it.

AFSCME representative, Patrick Romero, acting interim president said their union did reorganize on September 17. Their 650+ members includes SWMA. They have a contract in place and are at the negotiating table for a new one. They have concerns about using temporary part-time employees. They have chosen to be here to work for the government. The union has four stewards and holding it down as they move forward and will have a full election of the board. Hopefully they would see him as president down the road.

Chair Dominguez thanked him for stepping up. He noted that he was a little upset that during the hurricane time, AFSCME had failed to respond and help.

Mr. Romero said he hoped that some of us can learn from that and move forward.

Mr. Greg Smith reported, representing non- union City employees. He pointed out that there were negotiations with union employees. But by statute some employees cannot be part of collective bargaining. We are classified, non-union employees who are subject to the same rules and regulations. He read from a statement that compensation should be based on the type of work these employees do with equal pay for equal work.

The City Council Resolution 1999-74 states that these employees would be afforded the same salaries and benefits but in recent years that has not been kept (since 2007).

Ms. Zaxus handed out copies that resolution and a copy is attached to these minutes as Exhibit A.

Mr. Smith said these employees are supervisors and are highest level of professionals. Those who are managing others have higher salaries than any union employees but still lower than others. We should be getting higher benefits and salaries because we operate at higher levels and deal with confidential matters. But we are 8% behind the pay scale for union employees. The union employee has taken home one half of one year's salary when compounded over those years since 2008.

So Mr. Smith suggested the Council should take steps by being dedicated to follow that resolution to fairly compensate these employee - about 8%. He said he was just speaking on the data he was able to access. That has budget implications for this week. He suggest the Committee also report the discrepancies on those salary levels to the City Manager and not just take his word on it.

He also requested that the City Manager meet with the representative for non-union classified employees to discuss salaries and lastly, to follow the resolution requirements to conduct an annual review of compensation with each of them.

Chair Dominguez asked him to share that in writing. Mr. Smith provided a copy for the record [attached as Exhibit B].

Councilor Rivera pointed out that one thing that compounds this problem is the insurance changes to non-union people. They are not protected and don't have a contract. Not only are they 8% behind but in addition to everything else that is going on.

The Committee took a recess at 11:25 a.m. until 11:49 a.m.

Chair Dominguez recommended moving Fire and Police from today to Thursday.

C. Revenues

1. Gross Receipts Taxes / Hold Harmless Sunset

Mr. Rodriguez said the basic assumptions are in the budget. In his presentation to Council he noted some of the realities. GRT is the biggest source and he had announced a 1.5% increase but opted out with the hold harmless agreement so it is 1.5% minus \$700,000. That is for next fiscal year. He projected that it will go up over the course of the next 15 years. The first 5 years is at 6% and the sixth year is 7%. Next year it will be \$1.4 million.

He noted that GRT is, in general, going down. Over time it will continue to go down and at some point Santa Fé will have to consider other source for operations or much more efficiency to balance the budget.

Instead of distributing the GRT, he put it in the General Fund in the budget, despite other negative revenues.

In terms of personnel, we have to know as much as possible what needs are justified and the budget needed for those needs. The discussion on vacancies will come to Council later. Personnel is the biggest cost to the City.

He explained that one-time projects are all put in the CIP and everything else is in the General Fund.

Mr. Probasco said that for hold harmless, they used \$78,000 and divided it up proportionately. It will progressively become more of a burden over the years.

Chair Dominguez asked that the history comparison be part of our budget report so the Council could understand what has happened over the course of years. It needs to be articulated.

Mr. Rodriguez said that was in the policy so it will be there when the Council approves the policy.

Councilor Maestas pointed out that a lot of those departments have dedicated GRT so we need to make sure not to take that away.

Mr. Rodriguez agreed.

Councilor Maestas asked if when revenues come in they would come into those departments. Mr. Rodriguez agreed.

Mr. Probasco explained that they get a proportionate share that has a secondary adjustment in state shares at 3% to Human Services and 1% to Economic Development.

Mr. Rodriguez agreed. He said they tried to make sure that this year's costs stay with this fiscal year and not be carried into the future. Last year it was almost 14% of the budget that just rolled forward and now they will count only in the current FY.

Chair Dominguez observed the Council would then see fewer BARs.

Mr. Rodriguez agreed. That is the objective and the amount of BARs will prove it is working if they go down.

Mayor Gonzales understood they would have operational revenues and expenditures and not show the parts that go to the departments. So he asked what the increases like that in telecommunications and police went to.

Mr. Rodriguez said anything that is financed for 5 years or more is put in CIP. The Police Department has 28 cars and those that last more than 5 years are in the capital fund, not in the operational budget.

Mayor Gonzales was confused with having some cars in this budget. He thought all capital things should be pulled out of operations budget.

Mr. Snyder said right now it has been in the operational budget and not shown as capital expenditures. With this budget process he recommended they all be out of operations.

Mr. Rodriguez pointed out that there is only one place where collection is significant - at the Airport. We had this discussion. The vast majority of collections in anticipated revenue are those collections.

Councilor Lindell noticed on page 42 it says there appears to be some unrecorded. She asked what that meant.

Mr. Probasco briefly explained it and pointed out that it was specific to the airport.

Mr. Snyder clarified that they are meeting with the airlines and getting caught up on the invoices. The consultant assured him it would not be a problem.

Chair Dominguez asked about Lodger's Tax.

Mr. Rodriguez reported that the City was significantly behind but is catching up now. You will see that in the BAR that there is significantly higher revenue. The airport collections will be used for the airport.

Mr. Snyder said the total coming from grants is incoming revenues from State, Federal and County and totals \$14 million for the FY.

Mr. Rodriguez added that there are quite a few people involved in management of these grants.

Chair Dominguez felt the grants were becoming much more complicated and maybe a department might not be able to get grants on their own. There doesn't seem to be a quarterback for that as an FTE.

Mr. Snyder agreed that there is no FTE. He agreed that securing grants must be a team effort.

Chair Dominguez said it is really a management function for grant opportunities. People have sent him information on grants they feel the City should go after. They are complicated so he leaves that up to management. He was not suggesting we expand but that we don't miss out on those opportunities.

Councilor Maestas thought the City was successful in plugging the hole for hold harmless in the first year but is kicking the can down the road toward solving that problem. He felt they should focus on a multi-year projection, instead of focusing only on a one-year budget. There are issues like annexation and future costs. Going forward, he would look for policies for more efficient government and look forward to solutions for the future years. If the City is depending 70% on GRT then something needs to happen. Perhaps GRT will improve but that isn't being seen right now. We need to build the most efficient operation possible. In 2017 that hit will be \$2 million and that is just one impact we have to address.

Mr. Rodriguez agreed. Hold harmless is important and something we need to be worried about but right now we have deficits that need to be addressed first with our resources. We need to get to zero on those deficits going forward. Right now, although \$700,000 is a large amount, there are deficits in the millions. So let's fix those and plan for the future for getting more resources.

Mayor Gonzales echoed Councilor Maestas' comment. There is a need to look down the road. Certainly we need to fix the deficits but can't wait on those either. When the Santa Fé economy is healthy the revenues go up and in recession it goes down. We need to keep property tax levels low but need a discussion on how to align these revenues with recurring expenditures. At some point as we prepare for the next 5-10 years, we can have an honest discussion on what property taxes should pay for and what GRT revenues should pay for. Right now it all goes into the pot to cover all costs. We don't want to tap into the property taxes, but over next 10-15 years, it is hard to believe GRT will provide for our costs.

Chair Dominguez agreed, and we might forget what schools and the County collect on those taxes. We are sensitive to "land-rich" situation. We need to take a longer look at multi-year budgeting and this sort of

sets the stage for that. This will shift the philosophy away from the way we've done it for many years.

Councilor Maestas recalled past statements that the budget was flat and we didn't like that phrase and any additional request above that was considered expansion and it was interesting to see what was requested. We had difficulty trying to prioritize and now we don't see that here. We are seeing a balanced budget. But then when we totaled up those requests, it was a lot.

He added that the Committee might need to examine more closely what Departments requested but were not recommended. He would prefer to see that and that's why he was a bit uneasy going forward.

Chair Dominguez said that would take them to another level of discussion. Every year for the past nine years, the departments have given priorities and because there is no money, Council has ignored those priorities. We do need to reach those priorities.

Mr. Snyder said he has been with the City 11 years and this is totally different. We've set the framework for this and are using that as a framework. We also touched on fact that we have \$11 million more in expenditures. But, for the first time in a long time, the City will have a balanced budget.

We heard about \$42 million in deferred maintenance for City buildings and now the hold harmless obligations and these are areas that add up to \$50 million and we are trying to look at a different approach to realize one-time savings and trying to right-size our government. We can't just change overnight in the way we do business. But it is navigating toward the right direction. There is a lot of work to be done regarding how we get there. We do need to work to a multi-year budget. The budget you have here is a balanced budget to try to implement the strategy. We are not there yet and can't get there in one year. There is room for improvement.

Councilor Maestas pointed out that they are balancing this budget but using one-time revenue to plug those deficits and still didn't get it completed. We are not where we need to be.

Mr. Snyder acknowledged that they are using one-time revenues for plugging the hole and that is a challenge. Part of the framework is to not cut services. That is part of the challenge to provide the services the public expects with the staff we have.

Chair Dominguez said the City is at a cross roads here with expenses going up and revenue going down. This is a fundamental change in the way the Council governs. We really have to shift the philosophy to determine if we will continue to subsidize quality services.

LUNCH

Chair Dominguez recessed the meeting for lunch at 12:36 p.m.

The Committee reconvened at 1:39 p.m. and went to Financial Management Policies.

2. Taxes & Fees
3. Utility Service Fees
4. Special Revenue / Grants

D. Financial Management Policies

Chair Dominguez said that of the policies, the most controversial one is the last one. He asked if it is all utilities or just water.

Mr. Rodriguez said it was just Water. The Wastewater utility doesn't charge the same way.

Chair Dominguez asked if it is net reserve.

Mr. Rodriguez said the reserve is 4% of gross.

Chair Dominguez said that a part of him doesn't support this or the budget as is. Years ago, he didn't vote for a water increase for precisely this reason. He suspected the water rates would be used to subsidize the General Fund. The users pay the taxes and the water rates and the subsidy for operations. So it's troublesome. During that discussion the Council considered achieving reduced rates if things were well. Obviously they are not. He understood there is net revenue that the City could use but he was uncomfortable with that policy.

Councilor Bushee joined the meeting.

Councilor Lindell referred to page 27 on Utility Enterprise Transfers. From the highlights handed out it showed the ending balance of \$18.9 million and asked if that is an encumbered balance or if there were monies owed on that balance.

Mr. Rodriguez said no.

Councilor Lindell pointed out that taxpayers approved the GRT here. She asked if there was an expectation that those monies would stay in the Utility Fund and not be transferred to the General Fund. When the GRT was approved, she asked if it was specific to spending or to keep the rates lower.

Mr. Rodriguez said he couldn't answer that since he wasn't here then.

Councilor Lindell said she wasn't either but it would be reasonable to know if that taxpayer approved GRT was expected to stay in the Utility Fund. This is talking about transferring out \$3.4 million and she

wanted to know what that does in the short term and long term to rates. She said clearly they will have to increase rates.

Mr. Rodriguez said before that decision, Council needs to decide how much longer they want GRT to subsidize the rates. At this point, in the short term, it has no effect on rates. The basic proposal here is that if Council doesn't approve the rate itself that Council should make it transparent for the transfer. He understood the transfer has been done for years. The Financial Advisor says investors get nervous about unannounced policies. Twelve percent equals \$4.7 million. And we propose only to transfer \$3.8 million which is the net of continuing the prior practice. It is just an estimate and over the summer the Department will do a finer accounting and bring the information back and ask the Committee to accept it or not. The \$900,000 is already built into the budget.

Councilor Lindell asked what those non-utility costs would be.

Mr. Rodriguez said they are primarily positions that don't report to the Utility Division, not including overhead.

Councilor Lindell was concerned that if we have taxpayer approved GRT, she didn't think they had the leeway to move those monies into the General Fund.

Chair Dominguez reasoned that part of the question is that we need to understand what was approved by the taxpayers. Rates are part of that equation and that was not approved by taxpayers.

Mr. Snyder explained that the .25% GRT approved for Water was dedicated to capital improvements for Water and generates the funds for capital improvements.

Chair Dominguez asked then if the Finance Director was not proposing to use part of the tax payer approved GRT to balance the budget.

Mr. Rodriguez said, "An amount equivalent to..."

He asked the Committee to bear in mind that this is a standard practice out there for cities to charge such a fee. He took this rate from Austin Texas - the 12.4% for reserve. It is a much litigated and much debated policy because it serves people outside of the city limits. It is quite tested and communities have settled on that 12% mark. The practice of the transferring formula is quite standard out there and some entities do it as in lieu of taxes for their formula; others as return on investment (ROI). And the market receives this as an improvement.

Chair Dominguez recalled that in the past it was identified as a reserve and Council would use the reserve to balance the budget. This policy is doing that in a technical way. It is a policy we need to debate. Part of reason it was named as a reserve was that at some point that reserve would run out. This is a little broader - it is just whatever revenue is generated.

Mr. Rodriguez said he would never recommend using one-time money to balance the budget. These are recurring revenues, not a balance.

Chair Dominguez thought that just raises that debate a little higher then.

Councilor Maestas recalled last year they were discussing a carryover policy where there was Council direction to have the Water Fund pay back General Fund for a loan done in the past. He recalled a balance of \$5.5 million to repay the General Fund. He asked if that is what this is or what the status was on the repayment of the loan.

Mr. Rodriguez said this year there were double payments made before he got here.

Councilor Maestas said there were payments of \$2.5 million but the balance seemed to be \$5.5 million. He didn't see the policy but that was told to him. The transfer was substantial. So he asked for clarification regarding the policy of that loan pay back.

Mr. Snyder understood the original loan was from the General Fund and was in the \$19 million range. And that has all been paid back now. There was no interest on the loan and in conversations with the former City Manager, there was anticipation of interest which would raise \$9 million to \$24 million. But the \$19 million has been paid back. That was arranged back when the City bought the Water Company from PNM. They had some challenge on it.

Councilor Lindell pointed out that on page 123 it says there is a \$13.76 million debt to be paid off. She asked how that ties into this discussion.

Mr. Rodriguez said that is a different debt. The General Fund loan has been paid off. He asked if the Committee is proposing to pay this off instead. That would be using one-time money for one-time debt. So you would use cash to make a one-time expenditure. But the policy is to use recurring money to have the recurring transfer. If you paid it off now, it would not change the conversation on this policy. It is two separate things.

Councilor Lindell asked where the money to pay off that debt would come from.

Mr. Rodriguez said it would come from the savings balance.

Mr. Hopkis referred her to page 60 and explained that the \$13 million is part of the \$18 million in left over cash at year end or \$21,994, depending on whether it is done before the end of this FY or the beginning of next FY.

Councilor Rivera asked what that does to the 10-year plan. The \$18 million is part of a ten-year plan that would become substantially less.

Mr. Rodriguez said they promised a 5-year CIP but in the short term it would not affect that plan. He proposed the Committee could have that whole conversation with Water when they give their presentation. What is recommended is 12% of gross revenues after they pay all of their obligations including cash to CIP and achieve 45 days of cash reserves. After all of that, this is paid. That is making sure. The 12% is \$4.7 million but he is only proposing to transfer \$3.8 million.

Councilor Bushee departed.

Councilor Maestas said the City provides services in a lot of different places. He asked how much it costs to provide diversion for Buckman and what the costs of city services are that provided to the Water Fund. That becomes a basis. Mr. Rodriguez is using empirical evidence from other cities. But we should do our own cost allocation analysis so if we are a fiscal agent for SWMA that analysis should be done. He thought the City has been underestimating those costs. We need good business practices for that like SWMA and Buckman. The City provides services to all enterprise departments. He asked if IT or HR were getting their fair share from the Water Fund. Each service providing City department should sign an agreement with those enterprise departments to make sure it is done internally for all inter-department services when the City functions as a support or fiscal agent.

Councilor Maestas thought the City could do its own analysis and then wouldn't care what Austin does. This is a good government principle that we should embrace. Being on the Buckman board, he knew that the City doesn't charge enough for being the fiscal agent. The City should charge what it actually costs us.

Chair Dominguez agreed. And that is the way enterprise funds are supposed to work. He proposed that the Committee look at the efficiencies and charges on a year-to-year basis.

We are getting close to the end of the five years on these rates and should not go for another rate increase without having a resetting of government. We just need to keep a close eye on it and make sure we know what we are doing. Lots of people are out there conserving water and that contradicts our policy.

Councilor Rivera asked what other positions are funded out of the Water fund.

Mr. Rodriguez said there were about 20 such employees.

Councilor Rivera asked what the titles are and where they are.

Mr. Snyder said it included fleet Management, IT, the Attorney's office and Finance.

Mr. Schiavo said there are 19 positions totaling \$1.9 million per year although 5 are vacant now. They are also in GIS, Public Works and Land Use.

Councilor Rivera asked how that was determined. He was sure they don't have an attorney spending all of his time for Water.

Mr. Schiavo 100% of the attorney is paid from the Water Division.

Mr. Snyder thought there were several employees in the City Attorney's office but one FTE might be 100% for Water. Similarly in Fleet, it is paid for by Water but no one person paid 100% working only from Water.

Councilor Rivera asked then, from an accounting standpoint, how paying people from multiple funds is accounted for.

Mr. Snyder said it isn't now.

Councilor Rivera asked how much GRT subsidized Water.

Mr. Rodriguez said it would be \$7.5 million next year.

Councilor Rivera asked if that is by ordinance or practice.

Mr. Snyder said it is dedicated for capital and not for operations.

Councilor Rivera was also uncomfortable in moving that money and also of funding positions without knowing how much time the employee spent on Water.

Mr. Snyder said in a lot of these areas, this has been over many years as a tangled web that needs to be untangled. We need to make sure we have the right resources or tools to fix it. We are raising the flag that we have identified something we need a solution for and making recommendations on policy.

Councilor Rivera asked if anyone knew when that started.

Mr. Snyder didn't know but thought it was ever since the water purchase from PNM. He didn't think it has always been 20 employees. This was a business brought into the City structure.

Councilor Rivera suggested if they could figure out how much was funded after 2008 from Water, it would help.

Chair Dominguez said they continued this, they would have to review it year by year. In some cases or to some degree, things have been so segregated, they have gone from one to the other. Having said that, the Governing Body has to be clear about what those funds are intended and used for. The policy direction from the Governing Body has to be clear about that.

He asked what other policies they needed to consider. The capital plan is updated every five years. He asked if salaries were going to be paid out of there.

Mr. Rodriguez said the proposal is not to pay any salaries out of bond funds.

Chair Dominguez asked if there were any being paid out of CIP in this cycle.

Mr. Rodriguez referred to page 71 in the fund summary where it showed how GRT is being used to pay salaries. The most glaring is the Southside Library. This is a Capital Tax for which all the purposes may be decided by the Governing Body. But when we borrow money, none of it should be used to pay salaries. He added that the policy section says there will be an updated 5-year CIP each year.

He asked them to look at the debt policy on page 22 to see that restriction.

Chair Dominguez asked when he could the City able to move personnel out of CIP. We are in the middle of a cycle now. So the budget maintains the same practice. But at what point do we need to implement a policy to have all salaries out of CIP.

Mr. Rodriguez said it would be when we can afford to. So with a new 5-year CIP plan, we could determine in that plan how to get personnel out of CIP. One thing you could do is raise taxes, either on property or the GRT.

Chair Dominguez proposed it not be one whack but to start phasing it out.

Mr. Rodriguez agreed. In the vacancy management plan it is to not fill those that now are funded by bond proceeds or CIP. They would be in Public Works or Capital.

Councilor Maestas added that they should make the distinction that city labor is used for CIP projects. But it should not be in the Parks Bond. He would like to see an end of city labor on bond projects. He thought it was decided that going forward, it would be contracts only. He wanted to see the practice ended for bond funds paying personnel costs.

Mr. Rodriguez agreed but added that there might be one set already. They might have to use seasonal money to keep them on board. Obviously that money set aside for seasonal could not be used then for seasonal work. There are some consequences but it is possible. That can definitely happen.

Councilor Maestas asked if he could amend this budget to end that practice.

Mr. Rodriguez said that language could be inserted on page 22. It could say starting July 1, 2015. And once they crunch the numbers, he would provide that amount to the Committee.

Councilor Maestas clarified that he was not trying to be punitive but to break it out of the bond funded projects and ending that practice.

Councilor Trujillo asked how that would impact current jobs. The City allocated money for the skate park. And that it would be in-house. So how can the Governing Body stop that right now? Using a contract bites into that money. A contract always costs more.

Mr. Snyder agreed to work on it. He would get with Mr. Pino and Mr. Rodriguez. If we don't use our own resources, the contractor would have to do it. If we use seasonal workers, it is a matter of shifting them around. And seasonal work might not get done.

Councilor Maestas said he was willing to accept the higher cost to recover the public trust. The 2012 bond is not the 2008 bond but changing that practice means we are changing our ways. You just can't put a price on restoring the public trust. So if you could identify what work is remaining and if it has to be contracted out, we will need to see that.

Mr. Snyder agreed and said they were preparing that for Monday anyway.

Councilor Trujillo agreed that restoring public trust is important. But if we say we are going to get it built that has to get built. These kids have been waiting on the skate park and we need to make sure that gets built.

Chair Dominguez thought maybe they could grandfather those in that have already started.

Mr. Snyder said he would assess it and compare it with the budget.

Chair Dominguez said that past practice was to have a reserve and then a reserve under that.

Mr. Rodriguez explained that when Council authorizes spending, at the end of the year what isn't spent just expires. And the Council can use the unspent money in whatever way. The department that didn't spend it doesn't get to keep it. To be clear, there are no reserves within a department.

Chair Dominguez asked if the policy takes care of it.

Mr. Rodriguez agreed. They can't keep a reserve there at year end. What some people say is that it isn't built into their base and they just ask for x% above the base. There is no base, so don't talk about any base budget. It doesn't matter any longer. They could have a target of 10% for reserves or some other percentage more but below 10% is too little. Right now we have 35 days which is not quite 10%. Before we had 8.3%.

Chair Dominguez thought they needed to have department organization charts attached to the budget. It doesn't need to be bound to this but as an appendix maybe.

Mr. Rodriguez agreed to do that.

Chair Dominguez asked to have a report that detailed moving of positions from one department to another.

Mr. Snyder said they would continue that practice. It is a report for reclassifying personnel.

Mr. Rodriguez briefly explained the policy for keep track of CIP budgets and progress toward project completions. The five -year improvement program and will brought every year. That way if there is a conversation about the project.

Councilor Rivera noted on page 21 mention made about a chief procurement officer. He asked if this is a new position.

Mr. Rodriguez said it is not a new position.

Mr. Snyder agreed. The person is already on board and it is a hired position. The city always needs to have a chief procurement officer. We have one and whether by appointment or hiring, it has to be there.

Parking Operations Funds (page 64)

Mr. Rodriguez said they have \$1.2 million in recurring revenues and a deficit of \$300,000. So here is a fund in deficit and this is the only place in the budget where he recommended an increase. Here it is to shoulder the debt for the parking facility. The Parking Department tells us that without a rate increase, they will end up in the red. And from there on, you will see the same sort of thing.

Other Special Revenue funds.

The Police Fund shows a deficit. There is enough money to pay for it this year but recurring revenue doesn't pay enough. The Police GRT assumes the City doesn't do the BAR in here. So stays at negative \$83,000 and will remain in deficit.

The Fire Property Tax Fund is negative but they will transfer enough to maintain that deficit.

Transit is the same thing with revenue of \$8.1 million and expenditures of \$8.5 million.

The Economic Development Fund is a little more positive with projections.

Capital Improvement GRT has much of its income not for capital but for operations.

The Quality Of Life Fund balance will go down \$10,000.

The Recreation Fund will dip considerably into reserves so it is in operational deficit or structural deficit.

Chair Dominguez asked if the recreation part is across the board - everything.

Mr. Snyder agreed.

Mr. Rodriguez explained that the Civic Center Fund, when he brings the BAR, will show significantly higher Lodgers Tax Revenue so the numbers here are before the BAR.

The 50% Lodgers Tax Fund will also improve with the BAR.

The GCCC Fund dips into reserves for \$100,000. The 0.5% GRT was to be used for operation of GCCC.

Mr. Probasco added that there is a portion dedicated but the transfer from 3102, he believed was a subsidy recommended by the Finance Director years ago. That is a drain on 3102 and was exacerbated because of the Southside Library and the debt service to MRC.

Chair Dominguez recalled the 0.5% GRT was a mandate from the public for operations at GCCC.

Mr. Hopkis clarified that the subsidy is in addition to that GRT.

Mr. Rodriguez agreed. It is 1/16 % of GRT.

Mr. Rodriguez recalled giving a report about a month ago to the Finance Committee on all of the negative balances and this was most significant of them. It begins with negative balance and continues.

Chair Dominguez asked if there was any way to segregate the golf course from MRC. They are both under MRC based on the bond but the Committee needs to have totally separate accounting of them. Maybe the golf course pays its way but the Committee needs to know that.

Mr. Snyder understood the golf course has been subsidizing the MRC and it wouldn't be there without that subsidy.

Chair Dominguez asked if there was a way to articulate that in 5600. Mr. Rodriguez agreed.

Mr. Snyder asked he wouldn't want to add a new budget section but it could be worked out and break out the revenue and expenditures.

Mr. Rodriguez said for the Risk/Safety fund he is recommending a fund level to maintain it. And made the same recommendation with Insurance and with the Health Fund.

The last is Workers' Compensation and the advisors recommended keeping it up slightly.

E. Prior Year Encumbrances

This matter was not discussed.

F. Expenditures

Councilor Lindell noted on page 61 that revenues and expenditures don't line up at all. Another example is the Airport where there is reduction in personnel and increase in benefits. She asked how these are figured.

Mr. Rodriguez said the reason you cannot find a perfect ratio has to do in the mix of vacancies- cutting out some of the personnel doesn't correlate with the benefits. Also there are seasonal and temporary employees without benefits. It also involved how they cut the personnel budgets.

Councilor Lindell pointed to one example on page 70 for Economic Development where the salaries stay the same but benefits go up \$26,000. When she went through the entire section she came up with \$1.8 million in salaries and benefits.

Mr. Montoya clarified that the actuals who what is paid out currently and is more in line with the proposed for next year. This is what it should be.

Mr. Rodriguez added that last year when the budget was approved, that line item wasn't as high as it should have been. It happened across the board because of assumptions and in some places, it was taken out of salaries and some were out of benefits.

Councilor Lindell said the police section is the same way. Salaries are about the same with a huge increase in benefits.

Mr. Montoya explained that when the prior budget was done, the personnel was different. It might have more family vs single. They didn't do a 4% across the board. This is more actual to what they are.

Councilor Lindell concluded there are huge discrepancies across these funds.

Mr. Rodriguez said the total is about \$4.1 million total. There is no question that these numbers can oscillate a lot. High level positions are being vacated such as with retirement and they take out their accrued leave.

Councilor Lindell said that goes back to the fact that without that information, it makes this look very skewed and if we talk about vacancies with it, it looks like they don't add up very well.

Mr. Rodriguez said he was trying to cut money out of there and he might have cut too close to the quick.

Chair Dominguez agreed that there are many factors and he respected her bringing that up.

Mr. Rodriguez said he could provide the details on that.

When they get to departments, counting the personnel is hard to do. That same financial accounting system has very limited payroll and personnel capacity. The payroll process is complicated. It might appear in some departments that they were getting FTE cuts but there are no cuts. They are comparing with July 1 last year.- On July 1 there were positions that had not been occupied for years and the Council decided to eliminate the funding for them. So they were wiped off.

Mr. Snyder pointed out that there are no colors on any personnel items this year. Whatever is not funded is not shown on there at all.

Chair Dominguez liked that.

1. Major Issues

a. Health Care

Mr. Snyder referred to the summary table and said people are here to present what was discussed in the meeting on Thursday. He would hand out what was discussed last time about annexation.

Mr. Rodriguez said the savings in the plan change is shown on page 79. It does not assume any changes or fiscal impacts from the new benefits package. That was estimated to money. It just moves forward because the last conversation Council had was that it would be kept in the fund. So the only change would be the possible increase in beginning balance of the new year because of lower costs in expenditures. That is all he had to say about that fund. Obviously the big change is in the benefits package.

Mr. Rodriguez said regarding the "Cadillac" excise tax that it would show up here as insurance. The cost to us would just be passed on. That issue is still being debated in Congress and his colleagues were saying there would be benefit there.

Most cities and local governments have the Cadillac plan so somehow that tax will be changed here and we haven't built that in yet.

Chair Dominguez asked about the \$75,000 wellness program.

Mr. Rodriguez said it is funded out of this fund. Everyone would get emails and fitness counseling and this is part of the program used to try to get employees to use GCCC and things like that. This fund is where that comes together.

Chair Dominguez understood the \$75,000 was for both staff.

Mr. Rodriguez agreed.

Ms. Perez said they are both relatively part time. There are no benefits for the temp position and Sue Perry has a 32 hour work week maximum.

Mayor Gonzales said he was going to announce the Mayor's health challenge and show the employees that we can be fit.

Councilor Maestas thought the policy approved for health care changes was that the balance at end of year would not change but the balance shown was only about half of what it was at the beginning of the year. So he thought that would trigger an increase. It shows \$5.9 million at the beginning and now is \$4,271,119 and it doesn't show a premium increase to avoid that drop. He asked if they were looking at a General Fund impact with a premium increase.

Mr. Rodriguez agreed but at this point it is \$4.3 million.

Councilor Maestas said in spite of that, they were told that no premium increase was needed.

Ms. Perez agreed. Given the savings, if it is what the Governing Body approves, then the increase would be .8% for the new fiscal year and lock in the \$5 and then back in what needs to be a premium projection change. That would happen every year.

Councilor Maestas understood that folks have some discomfort about that. But with the City commitments in the coming years, it would far outstrip the premium costs.

Chair Dominguez agreed the committee's work was in the best interest of the City and makes us whole.

Councilor Maestas said the direction to staff was to have an amendment sheet if the changes are adopted. The union contracts need to be negotiated to accommodate the health plan.

Chair Dominguez asked why the Council's numbers weren't put in.

Mr. Rodriguez said it was because we didn't think it was safe to put them in now. If we get those savings, there won't be a need for a premium increase. They need to get with the unions on open enrollment at least by May 8. So there are a lot of pending issues. If the Committee goes forward with the rest of the employees it would help and would be a much smaller number to negotiate with the unions.

Ms. Perez added that if the negotiations break down or fail, we cannot move forward for approval by Council. We have three plans and no special plan for fire and police. In that case, we would bring back additional options and what others might be available. At any case, open enrollment is scheduled May 7 through 11 to speak with employees about the three plans. The Premium plan shows what is involved in the change to begin in June and all would be fully informed. We still see success and a positive outcome for the plan and ultimate plan design and sustainability of the fund. We have spoken with Fire and Police that those need to be wrapped up by May 8.

She said she could share some of the unrest among staff. They have educated negotiating teams with what it means so, in talking with other parties, they can explain why it doesn't come out as a wash.

Chair Dominguez said they have to get this budget approved and he asked if Mr. Snyder was comfortable with that.

Mr. Snyder said he was hopeful as Ms. Perez is that we are moving in the right direction.

Chair Dominguez asked he summarize that for the Governing Body and also provide a worst case scenario.

b. Employee Pay

This matter was not discussed.

c. Capital Project Planning

This matter was not discussed.

d. Annexation

Chair Dominguez asked Councilor Maestas if he wanted to discuss annexation now.

Councilor Maestas thought perhaps they could deal with it as they consider the departments.

Closing Comments:

Councilor Maestas said his comment would be unpopular but some of the funds like solid waste and transit funds were discussed as regionalization about five years ago. If the City is going to fully embrace all of that, he proposed they should entertain the notion of having the NCRTD provide transit in the city or have a regional solid waste program including the City. He didn't think the City could say we are better in solid waste management. Why not ask an agency with the expertise and capacity to talk about that? Santa Fe let regionalization pass it by and decided to continue providing solid waste instead of these regional entities providing them around the city or maybe have competing bids. Maybe SWMA could provide the service at a significant discount. At least the Governing Body should consider a partnership with them that provides higher expertise and services. They probably provide higher service at a cheaper price. Regionalization is happening in these other areas.

Chair Dominguez commented that some of it or lack of it is a result of the organizational structure of our City. That is a huge shift in governance and would take an extensive effort from the leadership for that to happen. He was not quite sure how that would happen but just make it part of the record.

RECESS UNTIL 9:00 A.M., APRIL 30, 2015

Chair Dominguez thanked everyone for being here and declared the meeting recessed until 9:00 Thursday morning.

The Finance Committee recessed the meeting at 4:00 p.m.

Approved by:

Carmichael A. Dominguez, Chair

Submitted by:



Carl Boaz for Carl G. Boaz, Inc.