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FINANCE COMMITTEE MEETING
Monday, April 21, 2014

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**MINUTES OF THE
CITY OF SANTA FE
FINANCE COMMITTEE**
Monday, April 21, 2014

1. CALL TO ORDER

A meeting of the City of Santa Fe Finance Committee was called to order by Chair Carmichael A. Dominguez, at approximately 4:00 p.m., on Monday, April 21, 2014, in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

Chair Dominguez thanked the members of the Committee and staff for their indulgence in our early start today.

2. ROLL CALL

MEMBERS PRESENT:

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

OTHERS ATTENDING:

Marcos A. Tapia, Finance Department
Yolanda Green, Finance Division
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 AMENDED AGENDA

Marcos Tapia, Finance Director, said staff has requested that Item #8 be removed from the agenda, noting it should not have come to Finance, and will be going to the Council on Wednesday.

MOTION: Councilor Lindell moved, seconded by Councilor Rivera, to approve the amended agenda, as amended.

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

4. APPROVAL OF CONSENT AGENDA

MOTION: Councilor Trujillo moved, seconded by Councilor Lindell, to approve the following Consent Agenda, as amended.

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

CONSENT AGENDA

6. **BID NO. 12/23/B AND BID NO. 12/24/B RENEWALS – POLYELECTROLYTE CHEMICALS FOR FY 2014/20-15 WASTEWATER TREATMENT PLANT AND COMPOST DEWATERING FACILITY; POLYDYNE, INC. (LUIS OROZCO)**
7. **REQUEST FOR APPROVAL OF CHANGE ORDER NO. 2 – POLICE STATION IMPROVEMENTS PHASE III; SARCON CONSTRUCTION CORPORATION. (LeANN VALDEZ)**
8. **REQUEST FOR APPROVAL OF VACATION OF EXISTING CITY ALLEY WITHIN THE BOUNDS OF SIERRA VISTA ADDITION ADJOINING THE BOUNDARIES OF LOTS 10 (A PORTION), 11, 12, 13, 14, 25 (A PORTION), 26, 27, 28 AND TRACT A OF THE SIERRA VISTA ADDITION, A/K/A 816, 858, 830, 832 CAMINO SIERRA VISTA AND 901 AND 903 MERCER STREET. DAVID SCHUTZ, AGENT FOR TWO DOC PROPERTIES, LLC. (EDWARD VIGIL) This item was removed from the agenda and sent forward to the City Council.**
9. **REQUEST FOR APPROVAL OF PROCUREMENT UNDER COOPERATIVE PRICE AGREEMENT – PROFESSIONAL CONSULTING SERVICE – PERFORM EMPLOYMENT TESTING FOR POLICE AND FIRE DEPARTMENTS; DONNOE & ASSOCIATES, INC. (JAN SNYDER)**
10. **REQUEST FOR APPROVAL OF EARLY REPAYMENT OF NINE (9) NEW MEXICO FINANCE AUTHORITY (NMFA) WATER DIVISION LOANS. (NICK SCHIAVO)**
11. **REQUEST FOR APPROVAL OF CHANGE ORDER NO. 3 UNDER THE ALTERNATE A OWNERS CONTINGENCY – SANTA FE RESERVOIRS INFRASTRUCTURE IMPROVEMENT PROJECT; RMCI, INC. (ROBERT JORGENSEN)**

- 12. REQUEST FOR APPROVAL OF AMENDMENT NO. 2 TO LEGAL SERVICES AGREEMENT – LEGAL SERVICES FOR THE CITY’S APPLICATION TO RE-PERMIT THE CITY’S NORTHWEST WELL AND RETURN FLOW/DISCHARGE CREDIT; STEIN & BROCKMAN, P.A. (MARCOS MARTINEZ AND NICK SCHIAVO)
 - A. REQUEST FOR APPROVAL OF BUDGET INCREASE – WATER FUND.

13. *[Removed for discussion by Councilor Rivera]*

14. *[Removed for discussion by Councilor Maestas]*

15. *[Removed for discussion by Councilor Lindell]*

16. *[Removed for discussion by Councilor Maestas]*

17. *[Removed for discussion by Councilor Trujillo]*

END OF CONSENT AGENDA

5. APPROVAL OF MINUTES: REGULAR FINANCE COMMITTEE MINUTES – MARCH 31, 2014

MOTION: Councilor Rivera moved, seconded by Councilor Maestas, to approve the minutes of the Regular Finance Committee Meeting of March 31, 2014, as presented.

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

CONSENT CALENDAR DISCUSSION

- 13. REQUEST FOR APPROVAL OF BUDGET TRANSFER FROM BICENTENNIAL POOL FUND TO MUNICIPAL FACILITY REPAIR FUND FOR FORT MARCY ROOF AND SKYLIGHT REPLACEMENT. (DAVID PFEIFER)

Councilor Rivera asked the reason for the delay in getting the repairs done, noting we were discussing this last year at this time.

Mr. Pfeifer said most of the delays were caused by contractors getting back to us. He said we had quite a time getting the skylights organized, and contractors would say they would “show up and then they wouldn’t show up, so 99% of the lost time was getting contractors to show up to give us the final numbers on the project.”

Councilor Rivera asked if this was sent out for bid.

Mr. Pfeiffer said, "We did an unofficial RFP. We went to 4 different contractors trying to figure out what skylight we wanted to use, because everybody had different ideas. So it was a plan to put it all together, and then once we had a final plan, getting all of the people to bid the same plan, and then contractors getting back to us."

Councilor Trujillo asked if there is a way to expedite these kinds of purchases in the future. He said, "My understanding from constituents that go there, that when it rains it's a pretty significant leak."

Mr. Pfeifer said, "We could have done this differently. We could have hired an architect or an engineer to design it for us, but we were trying to save the money to actually put it in the roof."

Councilor River asked, if approved, when the roof will be repaired.

Mr. Pfeifer said, "The roof started today."

MOTION: Councilor Rivera moved, seconded by Councilor Trujillo for purposes of discussion, to approve this request.

DISCUSSION: Councilor Trujillo asked what happens to the contractors who didn't show up – are there any consequences to them.

Mr. Pfeifer said, "I didn't have any consequences for them and don't have any now. We did our best to get three quotes for the same work, and we'll call them back and try to get them again, and reschedule a meeting. And we did that for some of them 3-4 times."

Councilor Trujillo said we want to put local contractors to work, but if they don't want to come and give us a bid, "We need to stress to them. Do you want to work. We want to put you to work here in Santa Fe, but you're not coming to work. You don't want the bid, what's going on."

Councilor Lindell said, "The only comment I would have on that is, I would be inclined to hope that we could compile a different list and that those contractors would never have the opportunity to waste your time again."

Chair Dominguez asked Mr. Rodarte for a definition of an "unofficial RFP."

Mr. Rodarte said, "It was not an unofficial RFP. What we did..."

Chair Dominguez said, "He said it was an unofficial RFP."

Mr. Rodarte said, "What they were doing, they were trying to see what they really needed out there. I'm sure you're familiar with the way the roof is at Ft. Marcy. So we went out there and we tried to get 3 different types of windows, before we decided we were going to send it out, but we had to figure out what we needed. Once we found out what we needed, we were able to get a general idea of the prices from the ones that did participate. When it came down to it, Roof Care..... back in March, we did a cooperative

procurement with Roof Care on a contract out of Albuquerque, and they in turn were actually on the "unofficial quotes," during our exploratory period. They were actually lower than anybody else, including all the local guys around here. So we went ahead and found a correct cooperative contract which was brought to the Governing Body for approval for that particular roof up there. So, unofficially, they're just snooping around trying to figure out what kind of window to put up there. It's pretty tough out there."

Chair Dominguez asked when they found out what they needed in going through this unofficial process.

Mr. Pfeifer said we finally made a decision on what glazing to use about 3 months ago.

Chair Dominguez asked when you started trying to get contractors to show up.

Mr. Pfeifer said about a year ago.

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

Councilor Rivera left the meeting for a time

**14. REQUEST FOR APPROVAL OF ANNUAL CITY OF SANTA FE INVESTMENT POLICY.
(HELENE HAUSMAN)**

Councilor Maestas asked if the Resolution will come later, noting this is supposed to be done by Resolution.

Ms. Hausman said this will proceed to the Council and if approved, it will become official for another year, noting it first comes to this Committee.

Councilor Maestas said, "In Section 6.19, it says, 'Investment Policy Adoption. The City's investment policy shall be adopted by Resolution of the City Council.' So there's no specific Resolution, we just adopt it."

Chair Dominguez said this is the first stab at it.

Mr. Tapia said, "There won't be a special resolution, other than the investment policy itself, which is the City's policy through consent of Council, you approve. We don't do a special resolution, but maybe we need to. This is the second time we're bringing it to the Council."

Councilor Maestas said he is quoting policy, but if it's still very informal, that's fine. He asked when we can expect the next investment quarterly report.

Ms. Hausman said the next quarterly report will be the June 30th year-end report, and it will come to you in August or the first meeting in September 2014.

Councilor Maestas asked if we have any investments in the Local Government Investment Pool.

Ms. Hausman said there is some cash in the Pool. She said we don't buy specific investments through them, we own a share of the Pool and the Pool, under the State Treasurer, handles the investment of the funds for the participating jurisdictions. The City has a little more than \$600,000 in the Pool. She said, "I've not put more in the last two years because the rate is so very low, we do better on our savings account at Wells Fargo." She noted the Pool has through a lot of changes.

Councilor Maestas said in Section 6.28 there are prohibited investments, some of which probably came about since 2008. He asked, "Do we review the policies of the Local Government Investment Pool to the degree where they have similar prohibitions as we do, since we're investing some of our assets in their investment pool."

Ms. Hausman said the prohibitive section mirrors Chapter 6 of the State Statute on investment of public funds. She said, "There are things that the Pool is allowed to do under State Statute that we are not, as an individual investor. We can participate in the pool because they are a State Agency. They can invest in some things that we cannot directly. So what's prohibited here, are the things that I cannot do directly on behalf of the City."

Councilor Maestas said then we're still investing money with another Agency that's making investments that isn't consistent with our own policy.

Ms. Hausman said yes, and reiterated that as a State Agency they are allowed to do things we are not, and we are authorized to participate even though they are allowed to things that we are not. She said, "I review their policy on a monthly basis, and what their portfolio consists of."

Councilor Maestas said there should be a public process to try and change their investment policy to have it better mirror ours in terms of being more conservative and more risk free.

Ms. Hausman said, "Their investment policy went through a radical change when the reserve fund crashed after Lehman Brothers wet belly up. They had 23% of the Local Government Investment Pool portfolio in the reserve fund. They do not invest in money markets with broader corporate papers and other types of bonds any more. They are much more restrictive. But they are still allowed under State Statute to invest in things that are different than we are and that is a State Statute. So encouraging them to be more conservative like us, they will probably just tell us that they operate under State Statute which they do. They are a lot more conservative than they used to be. Most of what they have now is U.S. Treasuries, more money markets consisting of U.S. Treasuries, and they're not paying very much right now."

Councilor Maestas said this is the reason he was fixated on this section of the investment policy, because he remembers how badly that investment pool lost money for local governments across the state. He is glad to hear we're not investing very much and their policies aren't as risky as they were in 2008.

Ms. Hausman noted there is an Annual Stakeholders meeting to talk about what we like and don't like about their investment strategy, and they have really stepped up to the plate in listing to the stakeholders, noting the next meeting is in August 2014.

Councilor Maestas asked Ms. Hausman if she has brought the differences to their attention at the Stakeholders meeting, and if that is something she would be willing to do for the City.

Ms. Hausman said, "Given that they're mostly investing in U.S. Treasuries right now, and they're very limited because of the fallout from this. Standard and Poors, we've used them weekly. They're actually investing in less than I am, so it's really not an issue right now. They're only earning 0.011 percent and we're earning 0.45, so they're investing in a whole lot less than we are. And it is in response to the negative reaction of all the stakeholders at the time. We could, if it was an issue, but since they're investing less than we are, I'm not certain it's an issue right now. We don't own U.S. Treasuries because they're not paying anything right now."

Councilor Maestas would like the latest copy of the quarterly report, the old one, and Ms. Hausman said it came to Finance on February 17, 2014, so they can easily pull a copy for him, which would be for December's activity.

Mr. Tapia said, "It came to my attention from Teresita, my assistant comptroller, that there is a Resolution. And what we do on an annual basis is review the investment policy and any changes will be made as directed by the City Council. But there is a Resolution, and it asks that, 'it will be annually renewed and reviewed annually by the Finance Committee, with any modifications approved by the City Council.' So there is a Resolution that exists."

Councilor Maestas said, "My only recommendation is maybe if we would change the cycle to coincide with the release of a recent quarterly report, I think that would be great. That way we have the quarterly report and we can see where the investments are as we assess the policy."

Mr. Tapia said, "I will be giving you that, and showing you what we had showed a couple weeks ago, and I think you will be surprised. And you do have that, and I'll show it to you."

MOTION: Councilor Maestas moved, seconded by Councilor Trujillo, to approve this request.

VOTE: The motion was approved on a voice vote, with Councilors Maestas, Trujillo and Lindell voting in favor of the motion, no one voting against, and Councilor Rivera absent for the vote.

15. **REQUEST FOR APPROVAL OF A RESOLUTION DIRECTING STAFF TO STUDY THE FEASIBILITY OF HOLDING, ON AN ANNUAL BASIS, AT LEAST ONE CITY COUNCIL MEETING IN EACH OF THE FOUR COUNCIL DISTRICTS TO ENCOURAGE INVOLVEMENT AND PARTICIPATION BY RESIDENTS OF THE COUNCIL DISTRICTS. (COUNCILORS TRUJILLO AND BUSHEE). (JODI PORTER AND YOLANDA VIGIL) Committee Review: Public Works Committee (approved) 04/07/14; and City Council (scheduled) 04/30/14. Fiscal Impact – No.**

A copy of an *Estimate* from Santa Fe Audio Visual, dated April 1, 2014, is incorporated herewith to these minutes as Exhibit "1."

Councilor Lindell said the FIR says there no fiscal impact, and asked if the meetings will be televised.

Ms. Porter said there is a fiscal impact, noting she provided an estimate of the audio-visual costs [Exhibit "1"] to move the meetings, because the City equipment can't be transported, noting that cost is \$837.38 per meeting. She said additional costs would include staff overtime for set-up and strike. She said any location utilized would have to have internet, and we would have to be able to get into their system hard wire because of the amount of band width needed to televise and run the meeting on the internet.

Councilor Lindell said then what she has provided [Exhibit "1"] isn't an all inclusive cost, and Ms. Porter said this is correct.

Councilor Lindell asked if we have the all-inclusive costs.

Ms. Porter said she can get that, and it would vary depending on the length of the meeting, for example, some Council meetings have gone past midnight and some are 2-3 hours.

Councilor Lindell said she is unsure how much this is going to cost, and wants to know if we're looking at \$2,000 per meeting.

Ms. Byers said the Resolution is directing staff to only study this, and it isn't saying this is going to happen. She said in 60 days staff will come back with a full FIR for the costs of audiovisual equipment, staff overtime and other related expenses. She said, "At this point there is no fiscal impact, but in 60 days when staff comes back, there will be a full Fiscal Impact Report as directed by the Resolution."

Councilor Trujillo said, "The reason I want staff to look at this is, first of all, it came up in a couple of forums I was in, two of the candidates brought it up. And I thought to myself, how do we get participation in the City. The truth of the matter is we don't get a lot of participation unless it's affecting a certain neighborhood a certain district. Councilor Rivera and I can attest. You're putting up a cell phone tower here in District 1, this whole place is going to be packet. If you're putting up a cell tower in District 3 or 4, you're not going to get that much participation because people thing it's a done deal. What I'm look at, if we're having these types of meetings where it will affect a particular District, why not give that District the opportunity to have those constituents chime in. They have kids, life in general, so we can at least take one meeting a year out to the Districts. I do know there is a fiscal impact, but at the same time, I think it would help us as City Councilors to do a better job as well getting to hear from those constituents who otherwise might now come. This isn't set in stone, it's just a process right now. I just wanted to see what staff would come up with, and if it's going to cost \$10,000, then it's probably not a good idea to do. If we could look at something at \$2,000, I think it's money well spent being able to get constituent buy-in and comment at important meetings like that. So this is where this is coming from, and when it comes here, we'll make that determination."

Councilor Maestas said he wants to see the what the costs would be, and is glad we are more aware that some of the policy we recommend has a fiscal impact, and perhaps impacts without a budget. He will support the Resolution. He thinks it will initiate great dialogue on how to create a more robust public involvement process. He was thinking about more Town Halls with the two Councilors from each District to coordinate with staff. He said this would require segregating some of our information by District which he believes would be good. He said after budget adoption, perhaps we can segregate the budget, make it a more reader-friendly document, and segregate key information by District. He said we might get Planning to do a special section on the facts and numbers from *Trends* on a District basis, and perhaps present our Capital Improvement Plan by District after adoption by the Governing Body. He commends Councilor Trujillo for introducing the concept of taking government to the people, and he would like to talk to him about it. He said when he was sworn, he said, "Really, we should come up with a civic engagement process whereby any action taken by the Council is really a formality, where it is the product of a very successful, robust consensus building public involvement process that everyone can rally around." He noted this would require some staff resources, but not to the degree of having a 'full-blown City Council meeting' in a District.

Chair Dominguez agrees it is a way to create dialogue, noting we have had some meetings outside of City Hall. He said, "But I don't necessarily think that just because you have a meeting in a District means you are going to get more participation, unless staff, or the City I should say, does much more to promote that event. In my experience, you'll get some increase of involvement, but in certain Districts you are going to push people out, for lack of a better way to put it. I would like staff, in the FIR, to consider some significant outreach campaign that is going to draw constituents in a particular District to that meeting. The other thing is, it's something we would consider putting in our yearly calendar, and it needs to be coordinated with an issue that is significant to that District."

MOTION: Councilor Trujillo moved, seconded by Councilor Maestas, to approve this request.

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

15. REQUEST FOR APPROVAL OF A RESOLUTION DIRECTING THE CITY MANAGER TO ESTABLISH A CITY OF SANTA FE INTERNSHIP PROGRAM TO PROVIDE AN OPPORTUNITY FOR COLLEGE STUDENTS TO BE EMPLOYED BY THE CITY DURING SEMESTER BREAKS FROM COLLEGE (COUNCILOR TRUJILLO). (SANDRA PEREZ) City Council (scheduled) 04/30/14. Fiscal Impact – Yes.

Councilor Maestas said the FIR indicates "no revenue source indicated." He asked if it would be responsible to adopt this without a revenue source identified.

Chair Dominguez said this would be an increase to the budget.

Mr. Tapia said, "Correct. If there were no increase and it was passed and went up to Council, then I would have to go into cash balances, and that's what the Finance Committee and the City Council need to understand. I've been asked to look at these more for the fiscal impact, and not just sign off on them.

And when I do not find a revenue source or a cut in services to fund the Resolution or those things coming up, I will initial it, but I will put 'no funding source indicated.' But yes, if it is approved, we will have to go to the cash balance and take it from the General Fund."

Sandra Perez, Interim Director of H.R. talked about how this is set up and applicants apply to the City and departments apply to participate. *[Most of Ms. Perez's remarks here are inaudible, because the podium microphone wasn't turned on.]*

Councilor Maestas said it is a great idea and the Governing Body is going to continue to come up with really good ideas. He said we have talked about establishing a greater sense of fiscal discipline, and we expect that by divisions and staff, but if we're not abiding by those philosophies, then we need to start holding ourselves accountable.

Councilor Maestas said his second concern involves vacancy savings. He said the vacancy by department is highly variable, and we've been budgeting vacancy savings which creates instability in our budget, noting we don't know what the final windfall will be at the end of the fiscal year. We're talking about no longer budgeting vacancy savings, and making an across the board assumption that we're going to have a 4% vacancy. He believes there is still a lot of instability in staffing levels and we need more stability in our staff – not playing the shell game with vacancy savings. He doesn't want to create a new program which will add to that instability and putting it on divisions to balance their budgets and pay for these interns.

Councilor Maestas said in the initial budget briefing, staff has referred to policy resolutions passed by the Governing Body as unfunded mandates. He said we need to change that culture, noting we are facing some incredible financial challenges and he doesn't want to add to that.

Ms. Perez's remarks here, again are inaudible, because her microphone was turned off

Councilor Maestas said we do hire summer interns, primarily high school students.

Ms. Perez said, "There are some high school students that come in for summer work, particularly in the Summer Youth Program areas. We have returning college students, but it's hit or miss. It's, do they have a relationship with the department, do they happen to have a field of study, say in engineering that they know other people that have an available slot, maybe they've interned the previous year, or the summer year. Some people contact the H.R. Department and we try to match up those interests with the Water Department or some of the others. But it's hit or miss. There's nothing that's a formal program design. There's nothing that specifically has a way to gather interested students, they just email, and by luck of the draw, maybe someone has money."

Councilor Maestas said then we have no idea if there has been a high school student or a college student that has worked at the City that came back and made City government a career. Do we track that.

Ms. Perez said she doesn't have that information, but believes they could survey to see if they could find some. She said at the State level there definitely have been returning successful students that have now become division directors and deputy state fire marshals and things like that. The Department of Transportation has an amazing engineering intern program, and thinks the sponsor can probably speak to that even more.

Councilor Maestas said, regarding funding, we've talked about setting aside money for unanticipated policy financial impacts, or fiscal impacts from policy adopted by the Governing Body. He doesn't want to hamstring the Governing Body, and we have the prerogative to proposed great programs like this and not worry about where to find the money. He would like for Mr. Tapia to come up with an idea to make this better in the future, whether we amend the required level of reserves or our voluntary set-aside. He wants a process established to address this issue. He would like to fix this in our next budget cycle.

Mr. Tapia said, "I think staff has been working with H.R. to make this an organized effort instead of being done haphazardly within the department. He said the funds identified for internships within the departments can be redirected into this program and be funded through H.R. He said the City Manager and others have discussed coming up with a funding set-aside for situations without a source of funds identified. I hope we can deal with this in this budget cycle. Again, on this one, I think we could redirect some of the budget withing different departments and reorganize it into one City effort like this effort proposes to do which he believes is feasible.

Councilor Maestas commended Councilor Trujillo for this program, noting the intent and objectives are fantastic, and he fully supports the concept.

Councilor Trujillo said, "I too, believe we need to be fiscally sound in our budget, and look at savings. What I want to see here at the City is exactly something we have at the State. As someone who has worked for the State my entire life, actually started in high school, and being able to come back year after year to the New Mexico Department of Transportation, made me want to work for the NMDOT. And guess what. Twenty-something years later, I'm still there, as a career. Like you asked, if there is data, do we have kids. I don't think we have that date, because over the past years we always hire high school students and they love working the Summer Program."

Councilor Trujillo continued, "I want to target Santa Fe County kids. Those that live here whose families are here. We always talk about how to keep our kids in Santa Fe and New Mexico, and my hope with this internship, maybe we'll get 1 or 2 kids that decide the City is a great place to work." He said maybe they'll fall in love with the City like he did the NMDOT and make it their career. He said we need to be sure we have the funds in the budget, and this will be a great program which will reach out to college kids from Santa Fe and that we want them to make it their career.

Chair Dominguez asked if this is intended to be funded this year, or just for staff to come up with a design. He said, "The last thing I want is for us to fund these positions and then, all of a sudden, you're taking other positions away to fund these positions."

Councilor Trujillo said right now, staff is being to investigate the possibility of this program. He said when they had discussions, they thought this might not happen this year. He said this is something, if everything can work out, we'll start next year.

Chair Dominguez said the language needs to change because it says it is directed to establish an Internship Program and policy.

Councilor Trujillo agreed that has to change. He would like to see it start this year, but doesn't know if budget is available.

Chair Dominguez said the budget is there, but it might take away a parks or recreation person. This is the reason it is important to have this discussion during the budget process.

Councilor Trujillo would like to have it during the budget process, so we can leave the wording as it is.

Ms. Perez said she can work with Ms. Byers if we need to wordsmith it a little bit. She said, "If we're being directed to implement the program, implementing the program can get the program design in place, which will take time to fine tune it. We want to work with career placement offices, make sure we have a recruiting campaign, make sure all of that is in place. Part of the implementation of the program would be to identify the first available positions, which would be next fiscal year, or following Semester break, or whenever that might be. That's part of the implementation of the program design. It is the identification of when the first positions would be available for application."

Chair Dominguez said we'll leave that to the sponsor and the rest of the Committee. He said, "All I have to say is, given the fact that we have these significant gaps, and there are departments that do want to expand or at least give the City Manager their request for expansion, the money has to come from somewhere. And the last thing I want for is to throw the baby out with the bathwater, and all of a sudden have all these positions that are created, funded and then the funding goes somewhere else to cover something else."

Councilor Maestas said perhaps we could look at establishing a trigger to bring this back, perhaps on the hiring of FTE's. He said the FIR indicates the proposed expenditure for FY 2015 is \$28,000, but FY 15/16 is \$67,000, and asked Ms. Perez to describe the ramp up.

Ms. Perez said one of things they were starting on were general averages, and they needed to put numbers together particularly during the budget discussion. She said for this FY they started with 3 interns for 10 pay periods – 7 in the summer, 3 in the winter. And you would double the next year, so they went to 7 to "play it safe." She said we're small enough that the central office control is a much better avenue for success in the program over the long haul. The FTE's are placeholders to get started with the discussion. She said if this were to expand, it would become part of the Human Resources budget.

Councilor Trujillo said he can meet with Ms. Byers if needed to make changes.

Ms. Byers said, "It says that the City would establish the internship program, and maybe we put something in that 'Prior to implementation of the program, that staff would identify the funding mechanisms to the Finance Committee when we are ready to make that first hire of an intern, or something along those lines. Or if you like, you can postpone and meet on this. It's whatever you would like Councilor."

Councilor Trujillo said, "Let's just meet and see if we can come up with some good wording and then we'll bring it back. I'm not postponing this, and we can put it as an amendment."

Councilor Rivera returned to the meeting

Ms. Byers asked if he would like this to go to the Council next week with an amendment, and Councilor Trujillo said yes.

Ms. Perez suggested, "Why don't we play with language first thing tomorrow morning, and then we can email you and then we can have a conference call, or we can get together in person."

Chair Dominguez said then this can get a no pass, a pass or approval by the Committee for it to move to Council, because it doesn't go to Public Works. It has to be approved by at least one Committee. He thinks this is a great program, and, through the budget process, he created apprenticeship programs in the Water Division. He said, "The best thing to do, and I'll leave it to the sponsor and the Committee, would be to come back with amended language directing staff to create the program. Because I think the departments are going to have to have a discussion about which departments could use interns and at what level are they going to be. I think it's something we need to do. We need to have internship programs. But, as the makers and creators of policy, we need to give clear direction on exactly how this will work, in terms of where the money comes from, it's not budget neutral. Otherwise, we're going to get Councilors that are going to be throwing resolutions all over the place before the budget establishes priorities."

Councilor Maestas said, "This is proposed for the next fiscal year's budget. I would prefer that it be incorporated into a balanced budget to be presented before the Finance Committee. I'm sure you all can go back and work it out. If H.R. works out a deal with the departments/divisions which would benefit from an intern, maybe they can assess those particular divisions for the costs associated with that FTE, but maybe the line item could be carried under H.R. I'd rather see this in the budget. That would be my preference, Mr. Chair."

Chair Dominguez asked that this be included in the gap sheet so we can account for it.

MOTION: Councilor Trujillo moved, seconded by Councilor Rivera, to approve this request, with direction to staff to work with Councilor Trujillo to come up with the necessary amendments before it gets to the City Council.

DISCUSSION: Councilor Maestas said if we take action to approve it, it will still be outside the budget process.

Chair Dominguez said if this is approved at Council, it is something which has to be accounted for during the budget process, so the gap gets bigger by \$28,000.

Councilor Maestas said, "But we still don't have consensus though, how this is going to work budgetarily. I think programmatically it's great, but not knowing how this will work financially and not knowing how it will fit into the balanced budget, I'm not sure I can support this."

Mr. Tapia said, "I believe within the current budget... the initial first year is negligible, and I don't think it would make it into the gap sheet. I think some of the budgets already account for some interim type programs, and we can accommodate this without affecting any FTEs."

Chair Dominguez asked where we will get the interns.

Mr. Tapia said that will be via direction by the Council to the City Manager.

Chair Dominguez said, "That's where the rubber hits the road when it comes to budget and expansion, is who is going to get these interns."

Councilor Maestas asked Mr. Tapia if he has projected the vacancy savings will be, and earmarked the projected savings from vacancies and if is this something that can be funded through vacancy savings.

Mr. Tapia said, "The vacancy savings, in my profession in doing budgets for 25 years, vacancy savings helped me to shore up our fund balances. So I don't really count on that to be used, but saying that, we have a variation. And on the budget handout sheets that you will be getting during the presentation tonight.... we do not have 4% across the board like we budgeted last year. And at the direction of the City Manager, we looked at that to see what we would do. There are some departments at 19%, basically on some of the utilities like water. It's across the board, it's different and we're looking to see if we can do vacancy savings by department. To get back to your question, could this be done in this fiscal year. For the first \$28,000, absolutely."

Councilor Maestas reiterated his concern about the note in the FIR saying the revenue source has not been identified. He said, "I don't want to start doing deals and doing budget modifications real time during this Committee. So, either we bring it back and come up with a resolution or include it in the context of the FY 15 budget. That would be acceptable to me."

Mr. Tapia said, "When it goes to Council next week, it will have a funding source."

Chair Dominguez said it appears the sponsor is going to amend the Resolution, so you could consider those amendments at Council, and determine whether or not it is suitable for your concerns.

Councilor Maestas said, "I'll just close by saying, I think for the purposes of discussion, I'm willing to support it and let it go to the full Council, and we'll see how it goes."

Councilor Rivera asked if we are talking about \$28,000 for the whole summer.

Ms. Perez said, "Yes, and for the winter. It is anticipated that we would hire for the summer break, and then there is an allowance for returning students for a winter break, smaller pay periods, to come back if necessary. It doesn't have to be the same students. It could be different students, but we anticipated both breaks."

Responding to Councilor Rivera, Ms. Perez said, "If it starts at all, earlier than July, we would have to absorb that cost in this fiscal year's budget, so it is a little overstated at \$28,000, because that would be only July through August, which would be only 3 pay periods, plus the extra 3, so we're overstated by about 4 pay periods. And that's what Melissa and I were just talking about, and as we work out the amendment, we're going to have to amend the FIR by the time we get to Council."

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

16. **REQUEST FOR APPROVAL OF A RESOLUTION SUPPORTING PEDESTRIAN IMPROVEMENTS ALONG EAST ALAMEDA AND THE SANTA FE RIVER WITH FUNDING SUPPORT PROVIDED THROUGH A COOPERATIVE AGREEMENT WITH THE NEW MEXICO DEPARTMENT OF TRANSPORTATION (COUNCILOR BUSHEE). (BRIAN DRYPOLCHER)**
- A. **REQUEST FOR APPROVAL OF COOPERATIVE AGREEMENT – PEDESTRIAN IMPROVEMENTS TO EAST ALAMEDA AND SANTA FE TRAIL; NEW MEXICO DEPARTMENT OF TRANSPORTATION.**
 - B. **REQUEST FOR APPROVAL OF BUDGET ADJUSTMENT – PROJECT FUND.**
- Committee Review: Public Works Committee (scheduled) 04/28/14; and City Council (scheduled) 04/30/14. Fiscal Impact – Yes**

Councilor Trujillo said, "As always, anything that ever comes up with New Mexico Department of Transportation, I pull just to state that I used to oversee these cooperative agreements. I do no, there is no conflict. I move for approval."

MOTION: Councilor Trujillo moved, seconded by Councilor Lindell, to approve Item 17, Item 17(A) and Item 17(B).

DISCUSSION: Chair Dominguez asked that the record reflect that the approval includes Item 17, Item 17(A) and Item 17(B).

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

END OF CONSENT CALENDAR DISCUSSION

DISCUSSION

18. UPDATE ON INTERNAL AUDIT DEPARTMENT. (LIZA KERR)

A. STATUS OF FRAUD, WASTE AND ABUSE HOTLINE.

Ms. Kerr presented information from her Memorandum of April 9, 2014, to the Finance Committee, which is in the Committee packet. Please see this Memorandum for specifics of this presentation.

B. STATUS OF FY 2014/15 INTERNAL AUDIT DEPARTMENT ANNUAL AUDIT PLAN.

Ms. Kerr noted that the 2014/2015 Internal Audit Plan is in the Committee packet.

Councilor Maestas said he made some recommendations, noting he saw the utility billing and credit process in the Plan, and thanked her for considering his input. He asked what if the Governing Body asks for a special audit outside of your plan, and how she would accommodate that, or if that is typically contracted out because these generally are in-house audits.

Ms. Kerr said it depends on how long the audit will take. She has flexibility and she can go back to the Audit Committee and request a revision or amendment to the Audit Plan, is one answer. Another answer would be, if it is a large enough audit, she might have to suggest it be contracted out. It also depends on the type of audit. If it is a fraud investigation, especially, she probably would recommend contracting it, because she doesn't have that particular certification. She can cover the rest of the audits herself.

Councilor Maestas said the City Charter allows for a future provision to include an Inspector General' office. He likes that idea, although he realizes times are tough financially. He asked if she has experience in working with an inspector general's office in a municipal government, such as Albuquerque which has an inspector general.

Ms. Kerr said no, and her first experience in working for a municipal government is working for the City of Santa Fe, noting her past experience is in private industry, publicly held companies specifically. She has experience in fraud type audits, although she doesn't hold that certification. She said at the University of New Mexico there were many fraud audits with Sun Healthcare. And did many fraud audits as well for in of the publicly held companies for whom she worked. She said she is in close contact with the auditors at the City of City of Albuquerque and would be happy to talk with them about how they interact with the Inspector General's Office.

Councilor Maestas asked if her office has any role in a fraud audit.

Ms. Kerr said she was only involved in one fraud audit, which was last year, and she conducted it herself. It was an investigation in the IT area, and she is a certified information system auditor. It was then

turned over to HR and the Police Department here. The Police Department did a further investigation, and she doesn't know what came of that.

C. STATUS OF PARK BOND AUDIT

Ms. Kerr said at this point she has forwarded recommendations for the Task Force to the Mayor's Office, and she is waiting to hear back, noting the Mayor needs to approve the appointees. She said once the Task Force is formed, then they will develop the scope of the audit and she can move forward.

Chair Dominguez asked Mr. Tapia when the scope will be done.

Mr. Tapia said, "That's not coming through my office. That is separate to the Audit Committee and to Lisa as the Internal Auditor. But as soon as they come up with the scope, it's just a matter of us going out for bids."

Chair Dominguez asked if specific direction was given by the Governing Body when this was approved.

Ms. Kerr said they recommended a member of POSAC, BTAC a couple of members from the Audit Committee and myself on the task force. The recommendations she made to the Mayor, included one person from each of the committees, herself and two members of the Audit Committee. She said once the Task Force is formed, she can move forward in developing the scope and meet formally with that Task Force. She said it shouldn't take too long once the Task Force is formed.

Councilor Dominguez asked Ms. Kerr if the Mayor has those names in hand.

Ms. Kerr said yes, she delivered them to the City Manager during their weekly meetings and he is forwarding them to the Mayor.

Councilor Dominguez asked Mr. Snyder if the Mayor has the names in hand.

Brian Snyder, City Manager, said he hasn't discussed them with the Mayor, although he they were forwarded to him. He plans to discuss the names with the Mayor one of the next times they meet.

Chair Dominguez asked if this will be on the next Council agenda.

Mr. Snyder said it is his understanding that it doesn't need to come back to the Council, that once the Task Force is established, then a scope of work is developed after they meet. And that scope of work may come back through the Council process for award of a contract.

Chair Dominguez asked Ms. Kerr how long before the scope is done. He assumes the administration will appoint the committee as soon as possible.

Ms. Kerr said her goal is to have a couple of meetings with the Task Force, but it depends on how much cohesion there is on the Task Force. She said as recommended by the Chair, the small membership of the Task Force is very helpful and will help things move forward quickly. She anticipates 2-3 meetings, perhaps a week apart, to develop the scope. Then we can develop the RFP and move forward.

Responding to Chair Dominguez, Mr. Snyder said he would recommend it go to the Task Force considering the Task Force is establishing the scope of work that will be reviewed as part of the overall process.

Councilor Rivera asked how the names were selected.

Ms. Kerr said, "What I did, since you requested a member of BTAC and POSAC be on that committee, I submitted the request to the Chair of the Committee. And asked them if they would like to be on the committee or assign somebody. And in both cases, the Chairs said they were interested in doing that, and those are the names I put forward to the Mayor. The Audit Committee formed a subcommittee of two people they assigned to this process and they will be working with her as well.

Councilor Rivera asked, "In the base of BTAC and POSAC, was it brought through their individual committee process, or did they just say, 'I'll do it.'"

Ms. Kerr said, "I just asked the committee chair if they would prefer to be on the committee. It seemed appropriate to me to ask the Chair if they wanted to be on the committee or assign somebody to the committee."

Councilor Rivera said then you're not sure if they were approved by the individual committees to participate in this, and asked Mr. Snyder if he knows.

Mr. Snyder said he doesn't know if they were approved individually by the Committees or not.

Chair Dominguez asked if any department is part of the audit that is helping to create the scope of work.

Ms. Kerr said, "Also in the Resolution, I was directed to have a person from Finance and Parks & Recreation, so I selected a person from each of those departments to be on the Task Force as well."

Chair Dominguez said, "If I understand correctly, you're saying that in the Resolution, it directed you to get someone from Public Works to be a part of the creators of the scope of work."

Ms. Kerr said, "Yes, the Resolution states in Section 1: 'The City of Santa Fe Internal Auditor shall collaborate with staff from the Public Works Department and Finance Department, a member of the Bicycle and Trail Advisory Committee who is willing to serve, and a member of the Parks and Open Space Commission and a member of the City of Santa Fe Audit Committee to help develop the agreed upon procedures which would be the scope of the audit.'"

Chair Dominguez asked Mr. Snyder if he is "making sure that whoever it is from Public Works that is going to be working on that scope is as far away from the bond as possible, but with the credentials to understand what needs to be looked at."

Mr. Snyder said, "I honestly wasn't involved in selecting the City staff from the Public Works Department, and to answer your question, I'm not sure what you mean by 'as far away from the process as possible.' The Memo I received with the recommendations, the City staff that is recommended that I'll be discussing from Finance is Teresita Garcia, based on her knowledge on the financial side of the Parks Bond Audit to assist with what can and can't be provided to the Task Force. And from Public Works, it is Ben Gurule. So, there again, his involvement in the Parks Bond to let them know what was done during the Parks Bond projects and to provide them with information so they can develop a scope."

Chair Dominguez said then Ben Gurule is a part of the Task Force.

Mr. Snyder said both Teresita Garcia and Ben Gurule are recommended by Lisa to merit consideration on the Task Force.

Chair Dominguez asked if there is a particular reason she recommended Ben Gurule. He said, "The reason I ask is because he is obviously the administrator of the Parks Bond, and that's not as far away as you can get."

Ms. Kerr said, "Right. And the reason I chose him, is he seemed the most familiar with it. And so my thoughts were Ben is not going to be conducting the audit, or be involved in conducting the audit in any way, shape or form, but I felt his input into what happened.... and to develop the scope of that audit would be important as he gets feedback for me. I need somebody that is very familiar with what is going on with that in order to move forward quickly. And to assign someone from the Parks Department that is not familiar with it, might be counter-productive. And that's my opinion."

Chair Dominguez said, "You are the person in this position and I respect your opinion. I think it would behoove the Governing Body and the City of Santa Fe to make sure there is a level of independence there, and so I'm not sure who else you talked to, or what criteria you used to determine who is the most knowledgeable. But I will make it known for the record that we need to make it as independent as possible."

Ms. Kerr said, "That's fine, I just didn't have that input before, and I'm perfectly fine with that."

Councilor Maestas asked if the results of the audit interfere in any way with our next capital improvement plan and bonding, does it have the possibility of affecting our future rating if the findings are negative or extensive, and does it have any impact on our capital improvement planning program going forward.

Mr. Tapia said, "Absolutely it does have the potential. I don't know what is coming aboard, but seeing what I've seen as far as the information that has been provided, but when we go out for bonding, they look at past performances and past bonding. And so they'll look at that. And yes, it may have the potential if there is a negative or even a positive has the potential to upgrade us. So there is potential, other than that, I think we have to wait until the audit is conducted."

Councilor Maestas said, "With that being said, on the record Mr. Chair, I would ask that the scope of this audit or some post-audit exercise be that we assess all standard operating procedures with regard to implementing projects associated with the CIP, and particularly in the departments, depending on the findings. So, I would almost demand that we look at how we're doing things and find opportunities to refine them to ensure this doesn't happen again. I understand the importance of piecing together what exactly happened, and identifying those findings, but I am going to demand some process and policy improvement to see it doesn't happen again, to avoid any perception by the folks that rate our bonds, that we're not implementing our bonds in accordance with the terms of those bonds and the intended dedication of those bonds."

Ms. Kerr said, "And Councilor Maestas, that's the feedback that I've gotten from the City staff, and the people that I queried in regard to their interest in being on the Task Force, is that exactly, that's what is our end game is here. And the end game for everybody, consistently across the board, seems to be that we want to know if there was a breakdown in internal controls, and that if we can move forward by implementing those internal controls into future bond issues, that's what we're all after. I think that's a key point and there is general consensus on the Task Force in regards to that. So, thank you."

Chair Dominguez said, "And I would agree. I think it comes down to us making sure that in the future we create policy that is as transparent as possible."

Mr. Snyder said, "Chair Dominguez to your point earlier, the Resolution does not stipulate where we take the Task Force for approval. It was the City Attorney's Office's recommendation to our Internal Auditor that the Mayor review it via the City Manager. That being said, we could have this on the next Committee agenda for review of the participants on the Task Force and seek Committee input. My goal is, at the end of the day, that I want to make sure that whoever is on the Task Force we're all comfortable with and so that there are no questions, looking back, about who was and who wasn't on the Task Force, that we have a good Task Force set up. Because I think at the end of the day, as we stated, our end game is to make sure that whatever the outcomes are, they are solid and implementable. I would like to avoid calling anything into question, so I'll offer that up. I don't think it's going to delay too much. I think if we come back at the next Finance Committee meeting we can move through and take it through the Council process. I'm just offering that."

Chair Dominguez said, "What I will say is the Governing Body may not be the best group to decide who that Task Force should be. I would leave that to the administration, as long as the administration does what it can to make sure that it is as independent and as transparent and all the other buzz words as possible."

Councilor Rivera said, "I would like to know and hope that there was an open process with BTAC and POSAC with regard to who was selected on those committees, and not just take whoever had the time to do it. Was equal access given to everybody on the Committee who might have wanted to sit on this. Was the committee part of the process in deciding who was going to be on it. I'd like to know some of that, and at least, maybe reconsider who may be selected to that committee, or who may be appointed to that committee based on consensus of the individual committees, I think would probably be the fairest process.

19. PRE-BUDGET PRESENTATION. (BRIAN SNYDER)

A copy of *FINANCE COMMITTEE FOLLOW UP – APRIL 21, 2014*, with attachments, is incorporated herewith to these minutes as Exhibit "2."

Mr. Tapia said in this Report staff has tried to answer questions and provide any reports that were requested. He said it is planned to have the budget hearings on April 28 and 29, 2014, with a meeting on May 5, 2014, as a follow up.

Councilor Maestas said, "I'm able to attend the morning session on April 29th. He asked if the lineup has been finalized, but he does have departments he would like to hear from. He asked if there is flexibility in this regard he would appreciate that.

Chair Dominguez said Yolanda Green will be preparing the schedules, so Councilor Maestas needs to let her know which ones he wants to be present for, and we will do our best to accommodate that.

Mr. Tapia asked all Committee members to email either him or Ms. Green or both, and they will try to accommodate that and the Chair will look at the schedule before it is final. He would like hearings on April 28-29, with any follow-up information, with the possibility of the budget being approved at the Finance Committee on May 5, 2014, 1:00 p.m. to 5:00 p.m.

Councilor Maestas said the pre-budget document was great. However, we have been talking about potential policy changes that could have significant financial implications. He asked, "Are you all going to make some administrative decisions and recommend that to us at the outset of the budget process. For example, the vacancy savings. We talked about reserves, and can we continue maintaining 10% reserves. Can we for now, until the economy recovers, go with the 1/12 reserves. I just want to make sure we don't have too many major policy options floating out there. If we could come to a consensus on deciding those going into the department budgets, that would really help me a lot. I think we're talking about some great issues, but they're significant, like the gap sheet. The gap sheet is a fantastic idea, but my question is do we include some of the cash balances that have been carried forward. I'm not sure the gap sheet.... if we want to re-set it and pay off those negative cash balances and prevent them from carrying over in certain departments, does that gap sheet have it. We probably should talk about these proposals that you are recommending to do things better going forward in this next budget, instead of continuing the broad discussion with the divisions bearing down on us wanting a yea or nay on their specific budget. I just have general comments, Mr. Chair, on that."

Chair Dominguez said, "On that point Councilor, I don't know if this helps, but we're going to be having our Budget Study session on Wednesday. What I hear you saying is that there are going to be priorities, those priorities need to be on the table, and then the budget kind of developed around those priorities. And I think we might be having some of that discussion on Wednesday."

Councilor Maestas said, "That helps. So I think if you all can prepare, if that's something we can do on the front end, talk about some of these broad policy changes that could improve our budget process going forward, before we get into each individual department. I don't know if you have time for that. Mr. Tapia I think you told me that the budget hearings typically are 3 days instead of 2, so I'm sure you're going to be pressed for time. What do you guys propose about changes, or is this going to be *status quo*, and then we'll settle this going forward. That's not what we've been talking about."

Mr. Snyder said, "The Budget Study Session on the morning of the 23rd, my understanding of that is, each of you has been or will be interviewed shortly on a one-to-one basis to get the general core services, what we're doing well, what are opportunities for improvement. The reason for that interview for Carl Moore, the facilitator we hired for the meeting, to pull together a starting point, so we're not starting from scratch. Here's the feedback we've received so we can hit the ground running on the 23rd as to what is the Council's general goals as we move forward with the budget, what I believe the core services are, where do I believe the opportunities are. That can get us into some priority discussions."

Mr. Snyder continued, "What I hear you talking about Councilor Maestas is a little bit different than that, and looking at how we plan on trying to strategies. It ties into the gap sheet, but it is more involved than the gap sheet, and I can let Marcos speak to what he thinks staff can pull together in a timely manner."

Mr. Tapia said, "Some of the things are policy changes during the administration of the budget. Last year, they came up with a 4% vacancy rate and that's what we went with across the board. That's going to change. That's administrative. We already know the different rates within the different departments. Are we going to be able to adjust that. It looks like we're going to be able to implement that in the system itself, so that one department that has 19, we'll look at that and go 10% instead of 4%. We know what we're doing. We're also looking at positions that have been there for some time, in some of the utilities that have been funded on a yearly basis that haven't been filled in quite some time, and in the water. Some of those don't need to be funded or budgeted, because they're not going to be in the budget, and the Public Utilities Director is looking at that along with the City Manager. We're already working on the vacancies."

Mr. Tapia continued, "On the reserves, we're already looking at that and at the direction of the Chair, we looked at the gap between what the State says we have to have and what the City does. And that's about \$1.1 million. We might be able to use that this year. That's something we're showing already in the gap sheet. As far as reserves, the City Manager has been talking to me for quite some time about overall policy when we budget. And so we're looking at that, that's not as far along. And other than that, we're already implementing some of the things that you've been talking about. Not necessarily as a formal policy, like I want to do for a reserve for the whole City, but we're already working that into our administrative process."

Councilor Maestas said he has talked about and questioned the BBER numbers on annexation, and we're feeling the impacts and the benefits of annexation, but we're still relying on a report that was done by an academic institution. And I strongly feel we need to look at those numbers and give them a serious reality check before we rely on them for our budget. He said he has asked our plan to look at those BBER numbers.

Mr. Tapia said, "I looked at the BBER report and reviewed it. I didn't go with the high numbers. I was very very conservative, and what we showed the Finance and City Council before the annexation and looking at the Tax and Revenue numbers to see what annexation has given us."

Councilor Maestas said we need to hear from you all how you plan to transition into the costs associated with annexation and what numbers we are going to use. This is one of his follow-up issues.

Mr. Snyder said, "I agree, you did raise some questions on annexation. Marcos, as I mentioned, has looked into the numbers and has gone conservative on the numbers. The numbers are the same ones that were presented to the previous Governing Body, and the same numbers were used to approve annexation moving forward. So, for year one, using the P.D. as an example, the plan is to move forward with hiring the 10 police officers. With that in mind, also, because of the lead time, we're looking at budgeting for the next 10 police officers. And the basis for the number of police officers was based on call volumes we got from the County Sheriff's Office, we partner with them in tracking those. So I feel that we have done our due diligence, from the standpoint of the existing measures in place."

Mr. Snyder continued, saying, once we have one year's experience and data in the annexed area, we can look at how the program is working, noting that we need to monitor the call numbers and see how accurate the predictions were, commenting that the City provides a higher level of service than the County which is something else we had to consider. He said the plan is to hire 25 police officers over the next 3 years to ensure the newly annexed areas have the same level as all citizens everywhere else in the City. He said until we have the actual numbers, we have no choice in his mind, other than to get the police officers in place, through the academy which is a long process, and have side-by-side training with existing officers, then we will know more.

Councilor Maestas said he wants to know the entire picture, including the police substations and/or fire stations which will be built at a later date, commenting it isn't just a public safety issue, but it is a fiscal issue as well. He thinks the call time might be longer until the police stations and fire stations are built, or does he think the response time would be unchanged, and that we have the luxury of time to follow-up with the facilities that are needed.

Mr. Snyder said, regarding the Police, there is no plan for future substations for Police in the annexation plan. However, there is a plan for new fire station year 3, so that will be in the works. He said, "That being said, we have put a lot of thought and effort into the cooperative service agreements with the County Sheriff's Office and the County Fire Department, so we can phase-in section by section and maintain a certain level of service, so the public in those areas will not feel any impact. So I feel pretty

comfortable that the City Police Department and the County Sheriff's Office and their counterparts in the Fire also will work together to develop those cooperative service agreements to maintain those levels of service."

Mr. Snyder continued, "These cooperative service agreements are nothing new. We have them all around the City currently, so we help support the County Sheriff's Office, the County Sheriff's Office helps to support the City in times of need and response time in maintaining that level of service. So I feel comfortable that we've worked together to plan as appropriately as possible, but we all know that when the rubber hits the road we need to keep on monitoring and tracking to make sure we are projecting properly and we may have to tweak the plans as we move forward."

Councilor Maestas asked when we take over 100% in terms of Public Safety service in the annexed areas.

Mr. Snyder said there is a 3 year phase-in period for Police and a 5-year phase-in period for Fire. He said after those phase-in periods, we will still have those cooperative service agreements in place. "Like I said, we currently have those in place and will continue to have those, but the City will be the first responder to each of those services areas."

Councilor Maestas asked, with regard to the additional FTEs that were approved, what portion of that phase-in period are they able to cover. He said, "That's my whole point. I realize we have a plan, but I want to make sure that when it comes to fiscal impacts that all departments are coordinated in making appropriate measure requests in the budget to meet our obligations as it's phased in through this transition plan, that's my only point."

Mr. Snyder said he will meet with Councilor Maestas on the language of the phase-in, noting he is speaking "off the top of my head," so it's not exactly correct. He said there are certain lines of demarcation. In year one, we'll take south of Rufina Road, year two will be north of Rufina Road – by lines of demarcation they are physical roads. There are similar lines of demarcation for fire, and once we grow to a certain area that is when the fire station is needed to make sure our response times are met and don't negatively impact the City with the level of service we're providing. He can provide the lines of demarcation and years they are phase-in, noting it is a fairly concise document.

Councilor Rivera said at the last meeting where we discussed budget, "I asked for a more open process, a more transparent process within each individual department, and just wanted an update as to how that was working out.

Mr. Snyder said, "As far as I'm aware, it went smoothly. I met with each department director, their office manager and/or administrative staff that may have helped to input the budget into the financial system, over the course of a week and a half. I met one-on-one with them. The process went smoothly from my end. As we discussed here at the last Committee meeting, I asked for flat budgets to be presented to me. Any expansion requests to be presented in the separate areas so I can pull them together and bring them forward as an overall package, as well as I asked the departments to rank their expansions within their departments so that you and I can see, here's the level of priority within the

department as believed by the department or the division itself. So each division presents a budget to the department and then presents it to me."

Councilor Rivera asked if each department head or division head is going down to where the rubber hits the road, and really getting input from the people doing the job to see what is needed from their perspective.

Mr. Snyder said, "I can't speak for each individual department or division. I know how I did my budgets when I was Utilities Director and Water Division Director. I gave clear direction saying you must do this, you must do A, B and C. I rely on the management of those divisions and departments to come up with a budget that meets the need for their division and the departments."

Councilor Rivera said then they may all be acting differently, with regard to that. Some departments may be doing it, noting it maybe easier for smaller departments than for the larger ones. However, they could be acting a little bit differently with regard to the budget..

Mr. Snyder said they may all be acting a little differently on how they prepare the budget, which probably is typically. He said each division prepared its own budget and presented it to the department. He said, "Beyond the division, I can't speak to."

Councilor River asked, "And have you decided who is going to be available during the budget meetings for questions."

Mr. Snyder said, "I have not decided and I don't plan to decide. Once the schedule is advertised, worked out and coordinated, I plan on giving that to the division and department directors and letting them know to let their staff know that the budgets will be presented at that time, and have any requests go to the division and/or department to attend them. I'm not going to ask that anybody be kept from coming, but they have to coordinate and communicate with their division/department directors to make sure they are aware of what is going on."

Councilor Lindell asked, "Mr. Snyder, did you say at the beginning of your presentation, that we were to be interviewed prior to the meeting on the twenty-third,"

Mr. Snyder said this is correct.

Councilor Lindell said then that would mean tomorrow, and Mr. Snyder said this is correct.

Chair Dominguez asked, "Brian and Marcos, in terms of building your budget, are you still looking at flat revenues, or are you going to propose increasing that. I think you anticipated a \$1.9 million increase in revenue next year, but we're going to budget flat, or how are you going to do that."

Mr. Snyder said, "There is an uptick based on the GRT. Right now, we're about \$3 million up in GRT year to date, I believe in that range. However, from a fiscally responsible thing to do, the Finance Director has recommended that we don't budget for that amount of uptick, and we've gone more toward a

\$1.5 to \$1.9 million uptick in revenue. That being said, our flat budgets..... and what I mean by flat, no increases within the line items in the budget. However, there was an hourly rate increase approved for AFSCME and for Fire, and that accounts for about \$1.5 million of that \$1.9 million in uptick. So with a flat budget, there will be a salary increase for both of those areas.”

Chair Dominguez said hopefully, we need to maintain that increase that we just realized to sustain those pay increase, and Mr. Snyder said that is correct. Chair Dominguez said then it is essentially zero, for all intents and purposes, it's very very little that we have extra, and Mr. Snyder said that is correct.

20. OTHER FINANCIAL INFORMATION:

A. UPDATE ON GROSS RECEIPTS TAX REPORT RECEIVED IN APRIL 2014 (FOR FEBRUARY 2014 ACTIVITY), AND LODGERS' TAX REPORT RECEIVED IN MARCH 2014 (FOR FEBRUARY 2014 ACTIVITY). (MARCOS TAPIA)

Chair Dominguez asked, regarding GRTs and annexation, if Mr. Tapia has been able to come up with a way to differentiate these, and if he feels the uptick was sufficiently significant to warrant it to the annexation.

Mr. Tapia said, “In looking at the numbers I first initially looked at, it didn't seem like Taxation & Revenue turned the switch on. After my meetings with Taxation & Revenue, it looks like they needed to canvass. They told us we had not submitted the formal documentation from the City Clerk. And after showing them where they signed for it, we moved through that process. And they have been working well with us. And if you want to flow into the GRT we can, but the GRT for the next cycle we just had, was the highest that we've ever, ever had. One, it's part of the economy. Two, annexation is starting to hit, but part of the annexation, you have to remember, I believe that some of the vendors already were paying GRTs and were already taken away because they bought the business license in the City way before the annexation on January 1, 2014. So, they already were paying into the GRT.”

Mr. Tapia continued, “Now one of the things I did, is say, if we got this much from annexation in the GRT increase, well I should see that much lower in the County. Well, speaking to the County Finance Director and going over the numbers, we wouldn't tell what the difference was. They were almost the same for the County as they were the previous fiscal year, which is a little strange to me. And the only thing we could come up with is, because the business license and rates were changing for prior to January 1st, that they were already submitted their GRT and it was already being calculated into our numbers. But as far as seeing a difference, I can't tell you that we got \$400,000 from GRT from the annexation area. I'm still working on it.”

Chair Dominguez asked if we ever will be able to tell.

Mr. Tapia said doing a thorough analysis of that is part of the process. He is still working with the County, and they will try to figure out something to analyze that number. He said, "Do I think you will get that report soon. No. But there is a difference, and like I said the GRT for the past month was the highest that we've ever seen."

Chair Dominguez thanked Brian and staff for providing the information he requested. He said at some point he will want Mr. Tapia to share some of it with the Committee.

Councilor Maestas said when "hold harmless" was passed, it was all about the new reporting system, and Tax and Rev botched it – there was a lot of confusion and a new form and it cost them a lot of money. He said even though we can't know the origins of the revenues in terms of specific parts of the City, we can meet with Tax and Rev to make sure that the reporting is being done by the businesses. His suggestion is for staff to work with Taxation and Revenue to make sure the reporting mechanism is there for the businesses, commenting the same is true for the County. We also need to make sure the County is assessing the property tax mills for the City in the annexed areas, and he wants to see those numbers.

Mr. Tapia said the GRTs are solid and the Lodger's Tax is falling right in line with what we received last year, noting we are down about \$15,000.

Chair Dominguez's remarks here are inaudible because his microphone was not turned on.

Councilor Maestas said on the CVB debt service there was some discussion about transferring the debt service from the parking structure to parking, and that doesn't seem a terrible idea to him. He asked if there are any plans to do this.

Mr. Snyder said he is moving forward with the Finance Department on that and evaluating the amount based on the construction costs for the CVB and the parking structure. He believes it is important that these be allocated in the appropriate business units in the fund, noting Finance is looking at that. He has also asked Legal to make sure we can do this. He said, "As we move through the budget process I will provide that information. There will be \$3.5 million to be divided between the Parking Fund and the CVB Fund. And then we'll look at the bottom line as to how that fund is made whole with that, but the CVB Fund won't have as much of a challenge if we divided it up more. The Parking Fund will have to absorb some of that."

Mr. Tapia said the initial look at it is that we may be able to reduce the CVB debt service and transfer approximately 30%.

Chair Dominguez said even at the rate GRT is increasing, it isn't sufficient to cover some of the large outstanding issues like "hold harmless," we will have in the next few years. The reality is with the increase in health care costs, hold harmless, the cost of doing business, it will take creative and strong leadership to keep us on track and, hopefully, sustainable in the future.

21. MATTERS FROM THE COMMITTEE

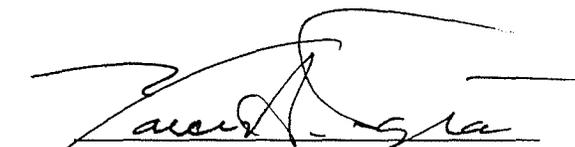
There were no matters from the Committee.

22. ADJOURN

There was no further business to come before the Committee, and the meeting was adjourned at approximately 6:15 p.m.

Carmichael A. Dominguez, Chair

Reviewed by:



**Marcos A. Tapia, Director
Department of Finance**



Melessia Helberg, Stenographer