



# Agenda

WORKSHOP AND  
FINANCE COMMITTEE MEETING  
CITY COUNCIL CHAMBERS  
JANUARY 19, 2016 – 4:00 P.M.

CITY CLERK'S OFFICE  
DATE 1-15-16 TIME 4:15  
SERVED BY Yolanda Green  
RECEIVED BY Gabriel R  
**BUDGET WORKSHOP**  
**ALL MEMBERS OF THE GOVERNING BODY ARE INVITED TO ATTEND**

1. CALL TO ORDER
2. ROLL CALL
3. Discuss Policy Direction for Fiscal Year 2016/17 Budget. (Oscar Rodriguez)
4. Fiscal Year 2016/17 Budget Development Calendar. (Andy Hopkins)

## FINANCE COMMITTEE MEETING

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF CONSENT AGENDA
5. APPROVAL OF MINUTES:

Regular Finance Committee – December 14, 2015

### CONSENT AGENDA

6. Request for Approval of Bid No. 16/03/B – Water History Park & Museum Phase II Interior Rehabilitation Project and Agreement Between Owner and Contractor; Sarcon Construction Corporation and Approval of Budget Increase in the Amount of \$309,863. (LeAnn Valdez)
7. Request for Approval of Bid No. 16/18/B – On-Call Roadway & Trails Construction Services and Construction Agreement. (James Martinez)
  - GM Emulsion, LLC
  - EMCO, LLC
  - Century Club Construction



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**WORKSHOP AND  
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CITY COUNCIL CHAMBERS  
JANUARY 19, 2016 – 4:00 P.M.**

8. Request for Approval of First Amendment to Cooperative Project Agreement – St. Francis Crossing from Acequia Trail to Railyard; New Mexico Department of Transportation. (Leroy Pacheco)
9. Request for Approval of Professional Services Agreement – Water Resources and Conservation Public Relations and Public Outreach Program (RFP #16/13/P); PK Public Relations and Approval of Budget Increase in the Amount of \$63,358. (Rick Carpenter)
10. Request for Approval of Budget Adjustment in the Amount of \$105,400 for Staff Overtime at Utility Billing in Support of Badger Meters and Advanced Billing Software Implementation Projects. (Diana Catanach)
11. Request for Approval of Donation of City of Santa Fe Fire Department Apparatus - Fire Engine to the Encino Fire Department. (Jan Snyder)
12. Request for Approval of Memorandum of Understanding – Services for Day Reporting Program for Juveniles for FY 2016; Santa Fe County. (Richard DeMella)
13. Request for Approval of Agreement – Upgrade City of Santa Fe Internet Port Bandwidth at 200 Lincoln Avenue for all Sites; Qwest Communications Company, LLC. d/b/a CenturyLink QCC. (Renee Martinez)
14. Request for Approval of Procurement Under State Price Agreement – City-Wide Equipment, Software and Services to Exceed \$50,000 for ITT Communications; Dell Marketing, L.P. (Paul Campos)
15. Request for Approval of Amendment No. 1 to Professional Services Agreement – Rates and Charges Study and On-Call Consulting Services at Santa Fe Municipal Airport; Frasca & Associates, LLC. (Jon Bulthuis)
16. Request for Approval of a Resolution Relating to a Request for Approval of Second Quarter (Midyear) Budget Adjustments for Fiscal Year 2015/2016 ending December 31, 2015. (Andy Hopkins)
17. Request for Consideration and Approval of Fiscal Year 2015/16 Budget by Increasing the Community Services Department Budget by \$108,000 for the Law Enforcement Assisted Diversion (LEAD) Program. (Patrick Gallagher)



# Agenda

**WORKSHOP AND  
FINANCE COMMITTEE MEETING  
CITY COUNCIL CHAMBERS  
JANUARY 19, 2016 – 4:00 P.M.**

18. Request for Approval of an Ordinance Including a Definition for Alternate Means of Compliance, and Amending the Definition of Extreme Hardship; Amending the Requirements for Santa Fe Homes Program Rental Units; Amending the Process by Which a Developer of Rental Housing is Allowed to Pay a Fee-in-Lieu Instead of Seeking an Alternate Means of Compliance With the Requirements of the Santa Fe Homes Program; and Establishing an Effective Date for the Amendments. (Mayor Gonzales) (Alexandra Ladd)

**Committee Review:**

Public Works Committee (approved)	01/11/16
City Business Quality of Life Committee (scheduled)	01/13/16
City Council (request to publish) (scheduled)	01/13/16
Community Development Commission (scheduled)	01/20/16
City Council (public hearing) (scheduled)	02/10/16

Fiscal Impact – No

19. Request for Approval of an Ordinance Amending Subsection 7-1.1 SFCC 1987 to Adopt the 2012 Uniform Swimming Pool, Spa, and Hot Tub Code, the 2012 Uniform Mechanical Code, and the 2012 Uniform Solar Code; Amending Subsection 7-1.1 SFCC 1987 to Adopt the 2012 Uniform Plumbing Code, as Amended by the State of New Mexico and the City of Santa Fe. (Councilors Bushee, Ives and Rivera) (Michael Purdy)

**Committee Review:**

Public Utilities Committee (approved)	01/06/16
Public Works Committee (approved)	01/11/16
City Council (request to publish) (scheduled)	01/13/16
City Council (public hearing) (scheduled)	02/10/16

Fiscal Impact – No

20. Request for Approval of a Resolution Designating the Greater Santa Fe Fire Shed as an Area that is Critical to the Health And Safety of the Citizens of Santa Fe and a Priority in Reducing the Ecological and Economic Hazards Posed by Wildfires; Including the Greater Santa Fe Fire Shed in the 25-Year Sustainable Santa Fe Plan; and Directing Staff to Identify Funding Sources to Develop Projects. (Mayor Gonzales, Councilors Ives and Bushee) (Porfirio Chavarria)



# Agenda

WORKSHOP AND  
FINANCE COMMITTEE MEETING  
CITY COUNCIL CHAMBERS  
JANUARY 19, 2016 – 4:00 P.M.

## Committee Review:

Sustainable Santa Fe Commission (no quorum)	12/16/15
Public Utilities Committee (approved)	01/06/16
Public Safety Committee (scheduled)	01/26/16
City Council (scheduled)	01/27/16

Fiscal Impact – No

21. Request for Approval of a Resolution Exempting Current Merchants in the Sanbusco Market Center from Building Permit, Fire Inspection and Impact Fees when Relocating Their Business to a New Location Within the Boundaries of the City of Santa Fe; and Maintaining the Requirement to Submit Construction Documents Prepared by a Registered Design Professional for Approval by the Land Use Department. (Mayor Gonzales) (Lisa Martinez)

## Committee Review:

Public Works Committee (approved)	01/11/16
City Business Quality of Life Committee (scheduled)	01/13/16
City Council (scheduled)	01/27/16

Fiscal Impact – Yes - \$9600 in FY 2015/16 - The revenue losses would be the result of waiving the fees for those businesses affected by relocation from the Sanbusco center as a result of the New Mexico School for the Arts moving into the location.

## END OF CONSENT AGENDA

## DISCUSSION

22. Discussion on Monthly Financial Report ending October 31, 2015. (Oscar Rodriguez)
23. MATTERS FROM THE COMMITTEE
24. ADJOURN

Persons with disabilities in need of accommodations, contact the City Clerk's office at 955-6520 five (5) working days prior to meeting date.

SUMMARY OF ACTION  
FINANCE COMMITTEE WORKSHOP  
January 19, 2016

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER AND ROLL CALL	Quorum	1
DISCUSS POLICY DIRECTION FOR FISCAL YEAR 2016/17 BUDGET	Information/discussion/direction	2-13
FISCAL YEAR 2016/17 BUDGET DEVELOPMENT CALENDAR	Information/discussion/direction	13
ADJOURN		13

**MINUTES OF THE  
CITY OF SANTA FE  
FINANCE COMMITTEE WORKSHOP  
January 19, 2016**

**1. CALL TO ORDER**

A Workshop 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, January 19, 2016, in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

**2. ROLL CALL**

**MEMBERS PRESENT:**

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

**OTHER GOVERNING BODY MEMBERS IN ATTENDANCE:**

Councilor Peter N. Ives

**OTHERS ATTENDING:**

Oscar S. Rodriguez, Director, Finance Department  
Teresita Garcia, Finance Department  
Yolanda Green, Finance Department  
Melessia Helberg, Stenographer.

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

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

Chair Dominguez asked to let the record reflect that all members of the Governing Body were invited to attend, noting Councilor Ives is in attendance.

**3. DISCUSS POLICY DIRECTION FOR FISCAL YEAR 2016/17 BUDGET. (OSCAR RODRIGUEZ)**

*A copy of the Budget Process Kick-off: Setting the Strategy for closing the Deficit*, dated January 19, 2016, is incorporated herewith to these minutes as Exhibit "1."

A copy of a Legislative Summary with attached Resolution and FIR, in this matter, is incorporated herewith to these minutes as Exhibit "2."

A copy of *Ad Hoc Committee Recommendations re: City Budgetary Challenges*, submitted by the Santa Fe Chamber of Commerce, is incorporated herewith to these minutes as Exhibit "3."

Chair Dominguez said the presentation is in the Committee packet, and asked Mr. Rodriguez, when he gets to the Chair's and Councilor Ives' framework in the presentation, he would like him to pause for them to make remarks at that time.

Oscar Rodriguez, Finance Director, reviewed the information in Exhibit "1." Please see Exhibit "1," for specifics of this presentation. Mr. Rodriguez commented as follows:

- # There is a very short timeframe to consider any action for revenue increase such as GRT and/or action to amend, for example inter-fund transfers, so it is approved and can be a part of the new budget. These deadlines aren't included in this document because he didn't presume you would go there.
- # A plan for curing the deficit over the next 2-3 years is needed right now.
- # Cuts have to be considered and at some points cuts will affect services
- # Recommendation for consideration of borrowing from reserves to address the deficit with an associated plan of repayment.
- # Mr. Rodriguez is more concerned about the institutional behavior that led us to the deficit than he is about the deficit, and said it will take time to make these institutional behavior changes.
- # Vacancy savings means a cut to the department's personnel budget, and not programmed or held in other places.
- # Mr. Rodriguez's personal objective is to eliminate carry-forwards in the budget.

Chair Dominguez reviewed the information on page 7. Please see Page 7 of Exhibit "1," for specifics of this presentation.

Chair Dominguez commented as follows:

- ★ The Chair's proposal contains the pay-off for the Water Debt which will be paid in 2020, which is a significant piece of the entire puzzle.
- ★ The 1/8 cent GRT is intended to be an example, and not an indication it is relying on that, and it can be a combination of revenue generation.

Chair Dominguez said he hopes his proposed framework is something that would be practical, methodical, deliberate, and said it is intended to be strategic, but mostly it is intended to be a starting point for discussions by the Committee. He said he is open to whatever will make the City financially sound now and in the future. He said it will take time to change behaviors, such as carry-overs. He said we have to do a lot of work to deal with unfunded mandates.

Chair Dominguez said he has more questions when we get to the other slides. He asked Councilor Ives to address some of the points on his proposed Framework to close the deficit, commenting we can move forward with the presentation after that, and then turn it to the Committee for questions and discussion.

Councilor Ives reviewed the information on page 8. Please see Page 8 of Exhibit "1," for specifics of this presentation.

Councilor Ives commented as follows:

- ! The single page doesn't cover the scope of the budget guidance measure he circulated in December, covers ground already covered, and would result in a balanced budget in FY 2020.
- ! Ask staff, in preparing budget, to come forward with strategies to reduce the budget deficit over two years – a combination of cuts and revenue increases and one additional year of a bridging strategy – transfers from the Water Fund, or fee in lieu of services.
- ! Looks for revenue increases of \$2 to \$4 million, with transfers of \$5 to \$9 million in the next fiscal year, and in the FY following that, \$4 to \$6 million in cuts and \$1.5 to \$3.5 in increases, with a balanced budget beginning FY 2018/2019
- ! Consider the amount of excise taxes paid on the City's health plan – \$4 to \$5 million over the next 7-8 years.
- ! Paragraph 7 of the proposed Resolution talks about prioritizing core services, with additional guidance in terms of core services.



- ! Paragraph 9 of the Resolution deals with revenue enhancement.
- ! Councilor Ives said his fuller thinking on deficit closing framework is in the Resolution.
- ! He is unsure of the source of the numbers in the packet, because they weren't the numbers in the measure he suggested, but are in the ballpark he was suggesting, noting his proposed cuts were at \$4 to \$6 million, and the cuts in the packet are \$3.7 million.

Councilor Ives said he submitted his proposed deficit-closing framework in the hopes of getting a collaborative framework, in terms having a greater sense that we were on the same path. He said we're not quite there yet, but he is looking forward to the discussion and engaging in coming to the point where we are addressing the issues intelligently, although he still has 30 minutes to an hour's questions on the presentation which he won't go into at this time, because he has to leave at 5:00 p.m., to cover a City function.

Mr. Rodriguez continued his review of Exhibit "1," and the two Deficit-Closing Frameworks proposed by the Chair and Councilor Ives, saying he would be happy to recommend either framework.

*The Committee commented and asked questions as follows:*

Mr. Rodriguez presented information from a table indicating cuts that emanate from the various changes, such as to no longer use any money from the Water Fund will result in elimination of the funding for the 19 positions at the Southside Library. He said he presented the table to the Councilor earlier. He said with no other recommendation from the Committee to change that, this is what will go forward. He said, "There are a lot of options here, but you have to make those options available to you, and that would take place in the form of direction to staff. I'm just repeating the things that will be cut unless we get different instructions."

- ◆ Councilor Dominguez asked if the slide of this table is available to the Committee.

Mr. Rodriguez said it isn't in the packet and he's emphasizing the point with that slide.

- ◆ Chair Dominguez said the detail on that slide is important information for the Committee to have.
- ◆ Councilor Lindell asked, regarding the slide that says *Major Cuts Already Programmed*, what that means.

Mr. Rodriguez said this is what you have said to cut so far when, for example, you said don't take any more from the Water Fund, these are the things that are dependant on money from the Water Fund and those things get cut unless "we get some kind of other direction from you."

- ◆ Councilor Lindell said then those are items specifically funded from the Water Fund.

Mr. Rodriguez said it is funded from the Water Fund or the Bond Fund, noting the \$6 million in the CIP that funded operation and maintenance. He said, "If you look at the plan, starting next year, and from then on, it is just blank space. We're not going to do it again. That is how that is cut."

- ◆ Councilor Lindell said, "For the sake of clarity in the future, I know we've had this before, but we get handed literally thousands of pages of paper. If we could have everything in our packet that we are going to reference or talk about, that would be really helpful. I just think to go ahead and have that is helpful, because digging from the thousands of pages that pass our desks every month, I would like to be as prepared as possible for these communications."
- ◆ Chair Dominguez said, "If it's not on paper, or we don't have it available, don't put it on the screen."

Mr. Rodriguez asked if he can talk about it.

- ◆ Chair Dominguez said he can talk about it if he wants.

Mr. Rodriguez said he felt this was such an important point, he felt he needed to put it there as well as say it. He said he hopes it's still okay that "I give you more information."

- ◆ Councilor Ives said since April 2015, we have been talking about trying to right-size government. We have talked about comparative municipalities and staffing levels, but we don't have the result of that comparison and asked when that will be available and how does it become part of this process.

Mr. Rodriguez said this is something he has to do himself, and he hasn't made it a priority until he gets positive direction as to where you are going to cut. He doesn't want to divert staff time to go in one direction and then for you to say but you want to move in the other direction. He said, for example, the City has a world class recreation facility serving 80,000 people, and it costs money to do that. He said to take the approach that the average municipality has a lower level of staffing for its Parks and Recreation Programs, then we should make cuts to that level – this doesn't get us to our goals. He said he hopes to get that information out this week.

- ◆ Chair Dominguez said, "Don't look too surprised Councilor Ives, I think there are a number of us throughout the years that have asked for information and not gotten it. I'm not going to mention the Parks Bond as an example, but there are certainly times when things have been asked for where the information is not given to us. I've got to get this back to the Committee. I will say, though, that we need to get Councilor [Ives] as much information as we can get him that he asked for. Please share that with the rest of the Committee."

- ◆ Councilor Dominguez continued, "We have gone through this exercise in the past, Councilor Ives, and my experience, and this is just my experience, is that it is not so easy to compare apples to oranges, apples to apples or even apples to tangerines. There are many factors you have to consider, including the fact that Santa Fe is an historic city, a wonderful city and provide a lot of services to our constituency. I think they appreciate that, and the fact is that costs money. Other than that, if you have one final comment, go right ahead, and then I've got to get to the Committee, because we're already bumping against Finance."

Mr. Rodriguez said he will get the information to Councilor Ives this week, and asked how the Chair wants that distributed and public.

- ◆ Chair Dominguez said get it to Councilor Ives and then to the City Manager to get to the rest of the Committee.

*Councilor Ives departed the meeting*

Chair Dominguez said we are going to continue another ½ hours, although he knows that isn't enough time to get through and to the "meat and bones" of it all. He asked Committee members, if possible, to keep their comments brief to recognize two significant things. One is the structural deficit, and keep it separate from the operating budget. He said we need to decide if we want a 2 year plan, a 3-4 year plan, or a combination, and whether to entertain overarching themes such as borrowing money from the Water Fund and repaying it. He said there are details and direction on the specific operating budget – for example do we want management to look at overtime.

- ◆ Councilor Rivera asked Mr. Snyder, "Do you concur with everything that has been said here tonight, and obviously you've been working on the budget for 8 years, and longer than that in previous positions. Do you concur with where we are on the presentation that we made."

Mr. Snyder said, "I do."

- ◆ Councilor Rivera asked about the ERP.

Mr. Rodriguez said it is a new Financial and HR system.

- ◆ Councilor Rodriguez asked the cost.

Mr. Rodriguez said we are putting aside \$1 million next year in CIP.

Renee Martinez, IT Director, said there are estimated costs, and for the Financial and HR system, she estimates \$1.6 million for that project for the software and implementation services. And for Land Use, including Inspections, Permits and other development plan reviews, it is estimated at \$800,000, for a total of \$2.4 million. She said that has been phased in the Council approved CIP over the next 4 years, so those are the numbers they working with right now.

- ◆ Councilor Rivera said Mr. Rodriguez talked about spending money to make money, and asked how long it will take us to recoup this money on this program – how much will we save by “jumping over to this system.”

Mr. Rodriguez said there are two numbers. One is the out-of-pocket costs, on which he believes we can save \$200,000 annually, with a much better system, which costs less, noting we now are paying 3 different companies. He said there will be a savings in payroll, as well as give staff time to provide other work. This is a situation where you save staff time, get better information and hopefully be able to make better systems.

- ◆ Councilor Rivera asked how long it will be before we can put a number to the savings in staff time hours.

Mr. Rodriguez said there would be a savings of “2% of all personnel cost savings.”

- ◆ Councilor Rivera asked if anyone has looked at ways to use end-of-year revenues to help bridge the budget deficit – instead of using the revenues for one-time costs.

Mr. Rodriguez said yes, and it was included in the CIP – after reserves of 18% were achieved the intention was to put that into the CIP *[inaudible]*. He said if there are excess funds at the end of the year, the Governing Body can do what it wants, but he recommend it be considered one-time money and one-time expenditures, not to pay for ongoing operating.

- ◆ Councilor Rivera said he heard mostly budget cuts and cuts in personnel. He asked if departments can propose policies that might increase revenues based on their expertise, and avoid cuts altogether in their budgets if they can identify those.

Mr. Rodriguez said, “Sure, sure, if they can come up with \$3.8 million in increased revenues somehow, but that, of course, means fee increases, I mean, that’s how we increase revenue.

- ◆ Councilor Rivera said potentially they may identify creative ways to save money or come up with additional revenues, and wants to be sure that is on the table for each City department.

Mr. Rodriguez said yes.

- ◆ Councilor Rivera asked Mr. Rodriguez if he can provide us a way to diversity revenues, so we aren’t so reliant on GRTs, and what would be the process, for example Property Tax. He said everyone has avoided a property tax increase, but he would be okay with an increase to the Property Tax rather than the GRT if it was dedicated to the core departments identified by Councilor Ives in his Resolution.

Mr. Rodriguez said the big challenge in diversifying our revenues, is that for decades the policy has been to rely on GRTs that are paid primarily by tourists, people who don't live here who wouldn't complain as much. He said what happened is that as time went on, other things fell by the wayside and we're looking to having to increase them by magnitudes. He said property taxes generate about \$3.5 million for the General Fund, while the GRTs generate almost \$80 million to the General Fund. He said it would take huge increases in property taxes to make a difference.

Mr. Rodriguez said, "I would recommend that we tie a slowly increasing property tax to those specific source of resources. There are funds that are funded specifically by property taxes.

- ◆ Councilor Rivera would like to look at cuts based on needs, versus those that are a luxury for other places. He said the Southside Library was on a list used in this presentation, and he doesn't see we can cut there. He sees that as a need, because there are many people on his side of town who rely on the Library for computers and internet services. Where for other areas, keeping a pool open may just be a luxury. He hopes we view these items based on necessity and need in areas that rely on certain services in order to function.
- ◆ Councilor Maestas said the City Council adopted a Resolution asking the City Manager to evaluate efficiencies within City operations, with a menu including benchmarking, phasing all expansion positions, and such. He said before we adopt the Budget Development Calendar, he would like to ask the City Manager when he will complete the results from the Resolution on possible efficiencies within City operations.

Mr. Snyder said, for Resolution No. 2015-110, "I'm waiting for Council direction. As I read that, I'm going to need a framework from the Governing Body for areas to focus on. And from that, I will ask my staff to provide you with the information you describe."

- ◆ Councilor Maestas said, "The Resolution directs you *to conduct a City-wide needs assessment of staffing and service level for all core quality of life and other services classified as such and prioritized by the Governing Body in order to identify potential areas for cost savings, with the goal of eliminating 75 positions over the next 3 fiscal years, for a savings of \$3 million*. So what is it that you are waiting for."

Mr. Snyder said, "I am waiting for the priorities from the Governing Body as you just read."

- ◆ Councilor Maestas said, "I think the whole idea, Mr. Snyder, was to give you the discretion since you're the chief administrative officer and you have a better perspective than the City Council in terms of where we can find efficiencies. The 75 positions didn't come from me, although I did sponsor the bill. So you must have some idea of where we can eliminate 75 positions over the next 3 fiscal years. Do you have those, do you have that."

Mr. Snyder said, "I have lots of ideas, but as I read the Resolution, as you read it just now, and as I discussed during the conversation with Council, the language there is "as prioritized by the Governing Body." And I said the same thing at Council, I can propose cuts across the board, but it may not necessarily meet your needs or the Councilors needs or wishes of the community. So the priorities, as what I describe as framework, the Governing Body sets a framework and the priorities for myself and my staff to work within, I can definitely come back with a plan to reduce over 3 years, 75 positions, through attrition, and that's what I'm waiting for."

- ◆ Councilor Maestas said, "I think someone asked if you agreed with the presentation that Mr. Rodriguez made, and you said yes. But in looking at the strategic questions for developing a budget, there are no questions here that pertain to the Resolution we passed asking you to investigate a whole number of operation efficiencies. I'm getting a little confused here, and it seems like we're going round and round. Why aren't there any strategic questions from the Finance Department that would answer your questions per this Resolution we passed asking for efficiencies that we would like you to identify. If you want us to prioritize services, it doesn't say here, identify all vital services and priorities. If that is something you need in this Resolution, we would be glad to do that in this Committee."
- ◆ Councilor Maestas continued, "There's another passage in this Resolution that says, "*The City Manager shall seek to identify cities, comparable in size, service levels and other variable such as demographic factors and in accordance with foregoing policies, classifying and prioritizing City services and guiding principles.... blah, blah, blah.*" This is the whole benchmarking, right; so do you want us to identify the cities to benchmark.

Mr. Snyder said, "That's what I believe Councilor Ives was questioning earlier and Oscar said we'll pull that together by the end of this week."

- ◆ Councilor Maestas said we need response to the policy direction, saying we agreed unanimously that we first want to look at efficiencies for cost savings, before we do anything else, at least consider raising revenues. He said the clock is ticking and it is totally new to me that nothing in the Resolution can be done because we haven't given proper direction. He said it provides, '*Mandate an appropriate reduction in overtime and travel,*' and asked if that has been done.

Mr. Snyder said no.

- ◆ Councilor Maestas asked Mr. Snyder if he needs direction from us, noting it says very clearly in the Resolution, "*Evaluate the cost of the City providing services and proposed changes to fees for services that reflect such costs.*" He believes we have identified all the franchises that are "bleeding money," and we're not going to carry forward the deficits, noting we know what those franchises are. He asked Mr. Snyder if he has identified a recommended fee structure(s) to make those franchises self-sufficient.

Mr. Snyder said, "We're working right now in various in departments looking at a fee structures in comparison to local agencies, counties and cities. We're looking at recreational fee structures and putting those together for a summary, and preparing to bring those forward to you – two examples of various fee structures across the board that we're going to be bringing forward."

- ◆ Councilor Maestas said, "It also says, '*Identify functions that can be automated for permanent, long term savings.*' It also asked for benchmarking on the benefits of other New Mexico local governments." He thinks we initiated the policy direction and sent a message to look at efficiencies first. We need to fully look at whatever the administration needs from us to implement this. He is also concerned about where to get recommendations so that fit into the budget calendar. He said he would imagine this might happen before the City Manager formulates the recommended budget, so he thinks it will be a February/March timeframe to get recommendations on efficiencies direction. He wants to focus on the policy for saving money through efficiencies, and get all direction to the administration to fully-implement the Resolution, ensure we get the right answers timely, so it makes sense in the Budget Calendar.
- ◆ Chair Dominguez said from his conversations, he thinks staff would like to consider the framework – are we going to do it in 1, 2, 3, 4, 5 years, noting there is specific timelines in the Resolution. However, staff is waiting for the framework .
- ◆ Councilor Maestas said we don't have enough time to cover all these topics. He has a lot of comment and questions on other things we should look at. He said when we talk about the structural deficit, we're talking about the accumulation of poor financial practices, which were noble, to try to prevent layoffs, balance the budget and avoid reducing services, which goes back 8years. He said there has been a lot of deferred maintenance, critical expansion requests which were declined. He said when he came on board, the department heads were asked to present their expansion requests, which was between \$5 million and \$10 million. He said we are taking a multi-year approach to address a legacy structural deficit, and throughout those 3 years, we're continuing to "kick the can down the road," on other critical needs.
- ◆ Councilor Maestas continued, saying Councilor Rivera brought up the ERP, and there is one critical need, but he believes there are other needs he considers to be critical and high risk and we're not going to hear those. He said our paradigm is looking at the accumulated structural deficit over the 8 years and then we're going to take a 3-year approach to plug that. He asked what happens in the interim to continued maintenance, deferred critical needs the departments have, commenting we've told those departments there will be no expansion requests. He said if we're not going to put in all the critical additional needs, including the needs in the annexation area, he isn't inclined to take such a long approach to this "legacy structural deficit." He wants to start considering the new critical needs, start moving the needle and get the City on the right track. Councilor Maestas said, "I've got a lot of comments on additions to the framework and I hope we can continue this, because we need a lot more time to discuss these things."

- ◆ Chair Dominguez said, “We can’t expect to solve the problems in the limited amount we do have Councilor Maestas. I respect your comments and opinions. It didn’t take us 3-4 years to get into this mess. It is not going to take us 3-4 years to get out of this mess. It’s going to take us longer. We’re not just talking about absolutes and numbers, we’re talking about a change in behavior, really changing the behavior of this Governing Body and future Governing Bodies, but community behaviors as well. There is a lot of stuff that comes to it, and so we should not pressure ourselves to necessarily get it done too quickly, although we need to definitely move, so I heed your words.
- ◆ Councilor Trujillo said we had a discussion last week when Councilor Maestas added the \$1.6 million to the deficit.
- ◆ Chair Dominguez said Councilor Trujillo is asking if we increased the deficit by \$1.6 million because of the action we took in regard to Transit.
- ◆ Councilor Trujillo said so we now have a \$16.6 deficit right now.

Mr. Rodriguez said you could arrive at the conclusion, “on the other hand, you’re the ones that made the decision on how that money is spent.

- ◆ Councilor Trujillo said he just wants to be clear, and asked if that will increase the time frame. He wants to be sure about that.
- ◆ Mr. Rodriguez said the is the thing we’ll solve in the next fiscal year, but in managing \$15 million there are much bigger things that have to be done. He said if you’re thinking is to expand and spend more in that area, then yes you would be adding \$1.6 million.
- ◆ Councilor Trujillo said we are faced with a \$15 million budget deficit. He said not hiring people is going to be on the table, and there will be no expansions. He there will be less workers in Parks, no interns, no temporary workers. He said that will have an impact on the lives of the people who rely on these jobs in the summer – students working in summer programs. He said we talk about employing youth and giving them the opportunity to work, and this will be impacted. He said he looks forward to the conversation.

Mr. Rodriguez said, “Well the time is now, Councilor.”

- ◆ Councilor Lindell said it is clear that nobody wants to give anything up, but everybody will have to give. She said Councilor Dominguez said it well, that we have to have a change of behavior by the Council, staff, and the community – everybody has to give up something. One assumption in the budget is no expansion or new initiatives and it is incumbent on this Council to live with this and not continue to bring new initiatives forward. She said constituents are going to need to hear that, and they’re going to have to hear “no” from people. She said the Council has to decide on the needs. She said we’ve heard Councilor Rivera and Councilor Dominguez say no cuts at the Southside Library, and Councilor Trujillo said no cuts on interns, and she believes Councilor Ives has something he doesn’t want to see cut, and she also has those things. She said we are all



going to have the opportunity to give. She said we need a discussion that isn't hurried and takes as much time as it takes, and come to an agreement on our needs, and where the line in the sand is for things that we can and can't stand to see cut, whatever that might be. This is a long discussion and we need to take the time and have it.

- ◆ Councilor Lindell continued, asking if we had the exercise of asking staff for efficiencies and ways to increase revenue. She said we talked about determining the costs of services, because we don't know that in some area. We don't know if we're charging appropriately for services. She said we could be more efficient in Transportation, commenting she believes a van costs less than a bus. She sees buses up and down Alameda every day with one person or nobody on them. She said it would be cheaper to call a taxi for those people.
- ◆ Councilor Lindell continued, saying we need to decide what is our policy on filling positions, and do we let some positions go away when someone retires or resigns, and if we can reallocate those positions to places where they are needed more. She asked if it is possible to have some kind of retirement incentive. She said our costs are driven with salaries and benefits. She sees that we spend millions of dollars on design work on projects where we have absolutely no consideration of finishing the project, which makes no sense to her.
- ◆ Councilor Lindell continued, saying these conversations will take time, and she thinks we need to hunker down for the long haul some evening and go through some of these.
- ◆ Chair Dominguez said part of the problem is when we talk about cuts, we need to make sure the cuts are equitable. He said that doesn't mean things are equal. For example, the Southside Library. There aren't many book stores, not many museums, if any, and not many of quality of life amenities provided by the Southside Library on the south side, as there are amenities that exist on the north side. So you can't just say we going to cut services or hours of operation at one Library the same as another. These are tough discussions, tough conversations, this Governing Body and the community have to have.
- ◆ Chair Dominguez said, in terms of how we're going to move forward, if we shorten the period of time to fix the structural deficits, then we might as well just start laying-off people, because that's what it comes down to. He said we can't find efficiencies to keep people from being laid off, commenting, "that is not necessarily something I support." He said the longer timeframe we spend in implementing the structural deficit framework, then we can plan efficiencies strategically, and find the things Councilor Lindell wants and having those tough discussions we need to have.
- ◆ Chair Dominguez continued, saying Councilors Lindell and Rivera hit on something he would like to see the administration do more of, and that is to reach out to the rank and file for efficiencies within the rank and file, the ones that do the work who know better than anyone where these can be done, and send a report back to us.

- ◆ Chair Dominguez said if he was giving direction himself, the things he would have staff look at, if we are taking the long term to resolve the deficit, would be number one, to eliminate the position of Deputy City Manager, look to cut contracts by 10%, eliminate travel. These are things we can do little by little that can help us get through each year without having layoffs. He said what happens with the economy will dictate the direction in which we would go in the future. He said if we establish a framework that is for a longer period of time, we could really look at efficiencies, vacancy savings and all of the things involved in right-sizing government. He said there certainly is some low hanging fruit we should be able to do more quickly.

Chair Dominguez said at the next meeting, he will list decisions that need to be made regarding the structural deficit and move into specific direction on what the "sacred cows," are in looking at cuts. He said everything is on the table.

Mr. Rodriguez the reason he put calendar before you was to show the Committee how little time is left. He noted will be having budget workshops with the department directors in two weeks.

Chair Dominguez said he has been on the Finance Committee for 10 years and it doesn't get any easier, noting this Committee has been together for 1½ years, and with that, we still have lots of questions and decisions to be made.

Chair Dominguez said it has baffled him since the 1990's where we say we're going to increase the Police Department, create more positions, but we never fill those positions. He his point is there is a lot of discussion we still need to have. He will meet with Mr. Rodriguez and Mr. Snyder to see if we can formulate an agenda that moves us to the next step and give some clearer direction.

#### **4. FISCAL YEAR 2016/17 BUDGET DEVELOPMENT CALENDAR (ANDY HOPKINS)**

Chair Dominguez said, "For the record, can we just say Ms. Helberg that Item #4, the Fiscal Year 2016/17 Budget Development Calendar was discussed already in your presentation, right Oscar."

Mr. Rodriguez said action is needed on the calendar, or push approval back two weeks.

Councilor Maestas acknowledged the recommendations received from the Santa Fe Chamber of Commerce, noting the Chamber convened an *ad hoc* committee of people in the business community and provided a wide array of recommendations to help the City solve its budget problems.

Chair Dominguez noted there are a lot of conflicts within that document.

#### **5. ADJOURN**

The Finance Committee Workshop was adjourned at approximately 5:45 p.m.

C. Dominguez  
Carmichael A. Dominguez, Chair

Reviewed by:

[Signature]

1-28-2016

Oscar S. Rodriguez, Finance Director  
Department of Finance

[Signature]  
Melessia Helberg, Stenographer

SUMMARY OF ACTION  
FINANCE COMMITTEE MEETING  
January 19, 2016

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER AND ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved [amended]	2
APPROVAL OF CONSENT AGENDA	Approved [amended]	2
CONSENT AGENDA LISTING		2-4
APPROVAL OF MINUTES – DECEMBER 14, 2015	Approved	4
<u>CONSENT CALENDAR DISCUSSION</u>		
REQUEST FOR APPROVAL OF BID NO. 16/03/B – WATER HISTORY PARK & MUSEUM PHASE II INTERIOR REHABILITATION PROJECT AND AGREEMENT BETWEEN OWNER AND CONTRACTOR; SARCON CONSTRUCTION CORPORATION AND APPROVAL OF BUDGET INCREASE IN THE AMOUNT OF \$309,863	Approved	4-5
REQUEST FOR APPROVAL FOR FIRST AMENDMENT TO COOPERATIVE PROJECT AGREEMENT – ST. FRANCIS CROSSING FROM ACEQUIA TRAIL TO RAILYARD; NEW MEXICO DSEPARTMENT OF TRANSPORTATION	Approved	5
REQUEST FOR APPROVAL OF MEMORANDUM OF UNDERSTANDING – SERVICES FOR DAY REPORTING PROGRAM FOR JUVENILES FOR FY 2016; SANTA FE COUNTY	Approved	5-6
REQUEST FOR APPROVAL OF AGREEMENT – UPGRADE CITY OF SANTA FE INTERNET PORT BANDWITH AT 200 LINCOLN AVENUE FOR ALL SITES; QWEST COMMUNICATIONS COMPANY, LLC, D/B/A CENTURYLINK QCC	Approved	6

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT – RATES AND CHARGES STUDY AND ON-CALL CONSULTING SERVICES AT SANTA FE MUNICIPAL AIRPORT; FRASCA & ASSOCIATES, LLC	Approved	7
REQUEST FOR APPROVAL OF A RESOLUTION RELATING TO A REQUEST FOR APPROVAL OF SECOND QUARTER (MIDYEAR) BUDGET ADJUSTMENTS FOR FISCAL YEAR 2015/2016 ENDING DECEMBER 31, 2015	Approved	8-9
REQUEST FOR CONSIDERATION AND APPROVAL OF FISCAL YEAR 2015/16 BUDGET BY INCREASING THE COMMUNITY SERVICES DEPARTMENT BUDGET BY \$108,000 FOR THE LAW ENFORCEMENT ASSISTED DIVERSION (LEAD) PROGRAM	Approved	10-12
***** END OF CONSENT CALENDAR DISCUSSION *****		
<u>DISCUSSION AGENDA</u>		
DISCUSSION ON MONTHLY FINANCIAL REPORT ENDING OCTOBER 31, 2015	Information/discussion/direction	12-14
MATTERS FROM THE COMMITTEE	Information/discussion	14-16
ADJOURN		16

**MINUTES OF THE  
CITY OF SANTA FE  
FINANCE COMMITTEE**  
Tuesday, January 19, 2016

**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 6:00 p.m., on Tuesday, January 19, 2016, in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

**2. ROLL CALL**

**MEMBERS PRESENT:**

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

**OTHERS ATTENDING:**

Oscar S. Rodriguez, Director, Finance Department  
Teresita Garcia, Finance Department  
Yolanda Green, Finance Department  
Melessia Helberg, Stenographer.

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

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

### 3. APPROVAL OF AGENDA

Mr. Rodriguez said he would like to postpone Item #18 on the Consent Agenda to the next meeting of the Finance Committee on February 1, 2015. He said the staff person isn't here to present and it isn't a time sensitive item.

**MOTION:** Councilor Rivera moved, seconded by Councilor Trujillo, to approve the agenda, as presented.

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

### 4. APPROVAL OF CONSENT AGENDA

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

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

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**CONSENT AGENDA**  
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6. *[Removed for discussion by Councilor Lindell]*
7. REQUEST FOR APPROVAL OF BID NO. 16/18/B – ON-CALL ROADWAY & TRAILS CONSTRUCTION SERVICES AND CONSTRUCTION AGREEMENT. (JAMES MARTINEZ)
  - GM EMULSION, LLC
  - EMCO, LLC
  - CENTURY CLUB CONSTRUCTION
8. *[Removed for discussion by Councilor Trujillo]*
9. REQUEST FOR APPROVAL OF PROFESSIONAL SERVICES AGREEMENT – WATER RESOURCES AND CONSERVATION PUBLIC RELATIONS AND PUBLIC OUTREACH PROGRAM (RFP #16/13/P); PK PUBLIC RELATIONS AND APPROVAL OF BUDGET INCREASE IN THE AMOUNT OF \$63,358. (RICK CARPENTER)
10. REQUEST FOR APPROVAL OF BUDGET ADJUSTMENT IN THE AMOUNT OF \$105,400 FOR STAFF OVERTIME AT UTILITY BILLING IN SUPPORT OF BADGER METERS AND ADVANCED BILLING SOFTWARE IMPLEMENTATION PROJECTS. (DIANA CATANACH)
11. REQUEST FOR APPROVAL OF DONATION OF CITY OF SANTA FE FIRE DEPARTMENT APPARATUS – FIRE ENGINE TO THE ENCINO FIRE DEPARTMENT. (JAN SNYDER)
12. *[Removed for discussion by Councilor Maestas]*

13. *[Removed for discussion by Councilor Maestas]*
14. REQUEST FOR APPROVAL OF PROCUREMENT UNDER STATE PRICE AGREEMENT – CITY-WIDE EQUIPMENT, SOFTWARE AND SERVICES TO EXCEED \$50,000 FOR ITT COMMUNICATIONS; DELL MARKETING, L.P. (PAUL CAMPOS)
15. *[Removed for discussion by Councilor Maestas]*
16. *[Removed for discussion by Councilor Maestas]*
17. *[Removed for discussion by Councilor Maestas]*
18. REQUEST FOR APPROVAL OF AN ORDINANCE INCLUDING A DEFINITION FOR ALTERNATE MEANS OF COMPLIANCE, AND AMENDING THE DEFINITION OF EXTREME HARDSHIP; AMENDING THE REQUIREMENTS FOR SANTA FE HOMES PROGRAM RENTAL UNITS; AMENDING THE PROCESS BY WHICH A DEVELOPER OF RENTAL HOUSING IS ALLOWED TO PAY A FEE-IN-LIEU INSTEAD OF SEEKING AN ALTERNATE MEANS OF COMPLIANCE WITH THE REQUIREMENTS OF THE SANTA FE HOMES PROGRAM; AND ESTABLISHING AN EFFECTIVE DATE FOR THE AMENDMENTS (MAYOR GONZALES). (ALEXANDRA LADD). Committee Review: Public Works Committee (approved) 01/11/16; City Business & Quality of Life Committee (scheduled) 01/13/16; City Council (request to publish) (scheduled) 01/13/16; Community Development Commission (scheduled) 01/20/16; and City Council (public hearing) (scheduled) 02/10/16. Fiscal Impact – No. Removed from the Agenda and Postponed to the Council meeting of February 10, 2016
19. REQUEST FOR APPROVAL OF AN ORDINANCE AMENDING SUBSECTION 7-1.1 SFCC 1987, TO ADOPT THE 2012 UNIFORM SWIMMING POOL, SPA AND HOT TUB CODE, THE 2012 UNIFORM MECHANICAL CODE AND THE 2012 UNIFORM SOLAR CODE; AMENDING SUBSECTION 7-1.1 SFCC 1987, TO ADOPT THE 2012 UNIFORM PLUMBING CODE, AS AMENDED BY THE STATE OF NEW MEXICO AND THE CITY OF SANTA FE (COUNCILORS BUSHEE, IVES AND RIVERA). (MICHAEL PURDY). Committee Review: Public Utilities Committee (approved) 01/06/16; Public Works Committee (approved) 01/11/16; City Council (request to publish) (scheduled) 01/13/16; and City Council (public hearing) (scheduled) 02/10/16. Fiscal Impact – No.
20. REQUEST FOR APPROVAL OF A RESOLUTION DESIGNATING THE GREATER SANTA FE FIRE SHED AS AN AREA THAT IS CRITICAL TO THE HEALTH AND SAFETY OF THE CITIZENS OF SANTA FE AND A PRIORITY IN REDUCING THE ECOLOGICAL AND ECONOMIC HAZARDS POSED BY WILDFIRES; INCLUDING THE GREATER SANTA FE FIRE SHED IN THE 25-YEAR SUSTAINABLE SANTA FE PLAN; AND DIRECTING STAFF TO IDENTIFY FUNDING SOURCES TO DEVELOP PROJECTS (MAYOR GONZALES, COUNCILORS IVES AND BUSHEE). (PORFIRIO CHAVARRIA) . Committee Review: Sustainable Santa Fe Commission (no quorum) 12/16/15; Public Utilities Committee (approved) 01/06/16; Public Safety Committee (scheduled) 01/26/16; and City Council (scheduled) 01/27/16. Fiscal Impact – No.



21. REQUEST FOR APPROVAL OF A RESOLUTION EXEMPTING CURRENT MERCHANTS IN THE SANBUSCO MARKET CENTER FROM BUILDING PERMIT, FIRE INSPECTION AND IMPACT FEES WHEN RELOCATING THEIR BUSINESS TO A NEW LOCATION WITHIN THE BOUNDARIES OF THE CITY OF SANTA FE; AND MAINTAINING THE REQUIREMENT TO SUBMIT CONSTRUCTION DOCUMENTS PREPARED BY A REGISTERED DESIGN PROFESSIONAL FOR APPROVAL BY THE LAND USE DEPARTMENT (MAYOR GONZALES). (LISA MARTINEZ) Committee Review: Public Works Committee (approved) 01/11/16; City Business & Quality of Life Committee (scheduled) 01/13/16; and City Council (scheduled) 01/27/16. Fiscal Impact – Yes. \$9,600 in FY 2015/16 – The revenue losses would be the result of waiving the fees for those businesses affected by relocation from the Sanbusco Center as a result of the New Mexico School for the Arts moving into the location.

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**END OF CONSENT AGENDA**

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**5. APPROVAL OF MINUTES – DECEMBER 14, 2015**

**MOTION:** Councilor Trujillo moved, seconded by Councilor Rivera, to approve the minutes of the Finance Committee meeting of December 14, 2015, as presented.

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

**CONSENT CALENDAR DISCUSSION**

6. REQUEST FOR APPROVAL OF BID NO. 16/03/B – WATER HISTORY PARK & MUSEUM PHASE II INTERIOR REHABILITATION PROJECT AND AGREEMENT BETWEEN OWNER AND CONTRACTOR; SARCON CONSTRUCTION CORPORATION AND APPROVAL OF BUDGET INCREASE IN THE AMOUNT OF \$309,863. (LeANN VALDEZ)

Councilor Lindell asked if this is an increase in the budget for this project.

Mr. Pfeifer said, "It's not an increase in the budget, it's approving the budget to do the work, as we do every project now. We need to have the budget allocated to the project. The funding is there already. We just need to have you approve the budget to be spent on this project."

Councilor Lindell asked when funds for this project were approved.

Mr. Pfeiffer said one of these was a G.O. Bond, and the other part of it is a grant. The G.O. Bond was a 2012 bond, and the grant was finally approved in 2013.

Councilor Lindell said then this is for interior rehabilitation, and asked if the exterior of the building is sound.

Mr. Pfeiffer said there is one item where we need to hire a structural engineer to do some remediation on the structural integrity of the building, but as a whole, the exterior was done with 2008 Bond funds and fixed up also with the grant. The interior is now being rehabilitated as part of that.

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

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

**8. REQUEST FOR APPROVAL OF FIRST AMENDMENT TO COOPERATIVE PROJECT AGREEMENT – ST. FRANCIS CROSSING FROM ACEQUIA TRAIL TO RAILYARD; NEW MEXICO DEPARTMENT OF TRANSPORTATION. (LEROY PACHECO)**

**Disclosure:** Councilor Trujillo said, "As with anything that pertains to the NMDOT, I always state I do work for the New Mexico Department of Transportation. I do not work in that bureau, therefore there is no conflict of interest."

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

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

**12. REQUEST FOR APPROVAL OF MEMORANDUM OF UNDERSTANDING – SERVICES FOR DAY REPORTING PROGRAM FOR JUVENILES FOR FY 2016; SANTA FE COUNTY. (RICHARD DeMELLA)**

Councilor Maestas said the even pages of the MOU weren't in the packet, so he was unable to review the entire MOU. He asked staff to make sure the packets are complete in the future.

Councilor Maestas said on page 1 of the MOU under 1(A)(1) Duties of the Parties, it says, '*The City shall transfer and make available to the County \$65,076 for expenditure by the County.*' He said 1(A)(2) provides, '*The City shall serve as the fiscal agent for the funds identified in this agreement.*'

Councilor Maestas asked why we would transfer the funds to the County, but act as the fiscal agent.

Richard DeMella said these funds originates from the NM CYFD. It is an annual grant, and many years CYFD did a direct contract with the County to do its reporting services, they "combined that agreement into the City's agreement, so basically we are the middle man between the County and CYFD." He said we have been using this procedure for the past 7 years.

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

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

**13. REQUEST FOR APPROVAL OF AGREEMENT – UPGRADE CITY OF SANTA FE INTERNET PORT BANDWIDTH AT 200 LINCOLN AVENUE FOR ALL SITES; QWEST COMMUNICATIONS COMPANY, LLC, D/B/A CENTURYLINK QCC. (RENEE MARTINEZ)**

Councilor Maestas noted there is hypersensitivity on budget increases, and this definitely will cost \$1,070 more per month, but there is nothing in the Memorandum explaining or justifying the benefits for the increased costs. He asked how this addresses the need what are the benefits in addressing the need.

Renee Martinez, Director, ITT Department, said they have received a lot of complaints from departments on the internet performance. She said this is the one pipe that goes out of the City to the internet for internet services. She said, for example, the City attorney's office uses a web-based application to support its activities and reporting, but often the upload/download takes so much time that it times out and they have to restart the process, commenting the reproduction center uses the internet to transfer files back and forth and for the last several months it has been having performance issues as well. She said as we move more to cloud-based services and using web applications to do work in the departments, it will be a bigger and bigger problem. She said our saturation on our internet pipe is 100% of our capacity of internet. She said staff feels it is critical to do this so as not to impede daily operations.

Ms. Martinez said it is hoped to save this amount of money in the new telephone lease, noting she has been negotiating with Altura, our voice mail system, to get better pricing so we can save enough to cover this expense as well as other things. This is a very good price from CenturyLink and it was the most competitive price we can get today.

Councilor Maestas said it's been some time since the Presidio Report came out which he read, and he asked if she can refresh those findings, identify the critical needs and at a future meeting she could give us scaled-down version of Presidio Report.

Ms. Martinez said she will be glad to provide an update on what was reported and what they've done to start closing all the high risks, commenting they are making headway on that.

Councilor Maestas asked the Chair if we can make arrangements for the update at a future meeting, and Chair Dominguez said he will work to get something on the agenda.

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

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

**15. REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT – RATES AND CHARGES STUDY AND ON-CALL CONSULTING SERVICES AT SANTA FE MUNICIPAL AIRPORT; FRASCA & ASSOCIATES, LLC. (JON BULTHUIS)**

Councilor Maestas asked if an Airport Manager has been hired.

Mr. Bulthuis said the new Airport Manager will be reporting for duty in March.

Councilor Maestas asked Mr. Bulthuis if he feels this contract is necessary to keep this program going, noting the Airport had a \$900,000 deficit in revenues versus projection. He asked if this consultant has helped us to improve the revenue picture.

Mr. Bulthuis said that is exactly the focus, noting the rates and fees work he is doing relates specifically to our contracts with the airlines, and what they pay for doing business with the City. He said we are working to get those fees to the level to allow us to staff-up to the place FAA is directing. He also has done quite a bit of working in assisting the City in bringing the new FBO to the Airport. He also is taking a general look at the leases, noting the existing FBO has now been acquired by another company, and he is assisting us with the assignment of leases from Landmark to Signature Aviation. He said the money is well spent and focused on generating new revenues for the Airport.

Councilor Maestas said on page 2 of the Amendment, Paragraph E says, *'Provide assistance to the Airport in the creation of a rate model and negotiation of lease, use and concession agreements that will position the Airport to become self-sustaining as soon as possible.'* He asked for a year specific.

Mr. Bulthuis said he is working on this with the City Manager, in terms of how quickly we can tighten the balance. He said rate model has a four-year timeline to break-even, but that is variable, depending on how much we want to push, noting this is part of the negotiation process.

Councilor Maestas said he believes there is an urgency for this franchise to be self sufficient. He asked the impact to the Airport of totally stopping the negative carry-overs.

Mr. Bulthuis said historically, the transfers-in are \$400,000 to \$500,000 each year. The current plan being discussed with the Airlines reduces it over the life of the 4 year lease, with a break-even period in 4 years. He said that can be addressed by this Committee.

Councilor Maestas asked if the consultant will help with some more realistic revenue projections.

Mr. Bulthuis said the airlines require a complex revenue model to be provided by the City, and that is all available for Committee review. He said once we get consensus from the Airlines, that will be brought forward for consideration and discussion.

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

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

**16. REQUEST FOR APPROVAL OF A RESOLUTION RELATING TO A REQUEST FOR APPROVAL OF SECOND QUARTER (MIDYEAR) BUDGET ADJUSTMENTS FOR FISCAL YEAR 2015/2016 ENDING DECEMBER 31, 2015. (ANDY HOPKINS)**

Councilor Maestas noted on packet page 5 there is an appropriation for Parks Bond Audit Services of \$160,603, and asked if this is an unanticipated General Fund expenditure.

Andy Hopkins said this is correct.

Councilor Maestas asked the source of funds to cover this expense.

Mr. Hopkins said it will come from the additional funds that is available in the General Fund at the end of the year, noting those funds also are being used for the ERP system and various other things.

Councilor Maestas asked about the appropriation for the Hospital and Healthcare Study Group facilitation of \$50,000. He said he when that was he approved, he thought funds were identified and asked the reason it would be on a BAR now.

Mr. Hopkins said the existing budget is in the General Fund, and will be paid from existing cash in the General Fund.

Mr. Rodriguez said what we're talking about here are appropriations. He said we are required to report to DFA any amendments or increases in appropriations in each quarter. He said the money is there, but until there is an approval, it is not available.

Mr. Rodriguez noted the length of the list previously and the current list which is a little less than half, so there is better budgeting, commenting we are getting better at this as we move forward.

Councilor Maestas asked on packet page 8, it says, *'Reappropriation of unspent prior year budget for an ongoing project.'* He asked for an explanation.

Mr. Rodriguez said that is a carry-forward – a prior year authorization that expired June 30, 2015. Those funds can no longer be spent without coming back to the City Council to ask for permission to carry the funds forward to spent those funds.

Councilor Maestas asked if it wouldn't be better to encumber it in the fiscal year where the funds are located, tally it as a PYE and carry it forward.

Mr. Rodriguez said that is how it used to be, but there was so much of that it was hard to maintain control of the funds. He said this method provides better oversight and is more transparent.

Councilor Maestas said then we shouldn't be seeing this in the 3<sup>rd</sup> and 4<sup>th</sup> quarter.

Mr. Rodriguez said his goal is to eliminate this completely, or for it to be a very very rare event, noting last year there was \$47 million.

Mr. Hopkins said in many cases this will reflect grant funding received late in the fiscal year and it's an use it or lose it scenario, so it has to be reappropriated/carried forward or we will lose those funds.

Councilor Maestas on packet page 9, Fund 5300 Water Operating Fund, there is *Adjustments to utilities administration/customer service charges based on system upgrades and other prior year increases* in the amount of \$4.3 million. He asked what is this.

Mr. Hopkins said this is one of the many allocations he does. He said in the past we set allocations based on budget, and at the end of the year, the Controller would go in and reassign all of the costs of the utilities administration and customer service functions to the various utilities based that spread. He said we have changed how we do that recently, and it is now intended there will be no cash sitting in these funds, and every year's allocation should be completely sufficient for the year's operations. He said the large increase is being paid by Water for the meter reading CIP project and expenses. He said he's making a change and will go through that allocation and adjust it as necessary to deal with any changes in utilities administration, which is where "Nick and his people are budgeted, and the Utility Customer Service for Utility Billing functions."

Councilor Rivera asked the reason we are approving SWMA's changes when we have no decision-making over how it spends its money.

Mr. Hopkins said there are two reasons. One, is it's an informational item, that this is part of your budget, the City is the fiscal agent. The main reason is for the format is to submit it to DFA along with other reports, saying this report includes everything that happened in our budget for the entire City including areas for which we are fiscal agent, including SWMA and Buckman.

Councilor Rivera asked if SWMA can submit the report on its own.

Mr. Hopkins said this is one of our jobs as its fiscal agent.

Councilor Rivera said you are asking us for approval, even though we had no say.

Mr. Hopkins said it is more informational in the case of Buckman and SWMA, and an issue of convenience in submitting one report.

Councilor Rodriguez said we're not just a pass-through, and they do have to comply with our procurement, financial and budget procedures, etc. He said since they comply, he recommends approval of the report.

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

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

**17. REQUEST FOR CONSIDERATION AND APPROVAL OF FISCAL YEAR 2015/16 BUDGET BY INCREASING THE COMMUNITY SERVICES DEPARTMENT BUDGET BY \$108,000 FOR THE LAW ENFORCEMENT ASSISTED DIVERSION (LEAD) PROGRAM. (PATRICK GALLACHER)**

Councilor Maestas said although he supports this program, which is a great program, the City is in unusual financial times, and we have to ask the really tough questions of this and all programs. He noted they are requesting \$108,000. He said a year ago money was pouring in, and accumulating, and it was great, and it appeared we had at least two solid fiscal years. He said there was \$100,000 in FY2014, \$200,000 in FY 2015, for a total of \$300,000, with a balance of \$118,000.

Chief Gallacher said that was spent, and the balance should have been roughly \$210,000.

Councilor Maestas said you are now projecting expenditure of \$19,000 per month, or \$171,000 which still leaves a balance of \$11,000 at the end of the FY. He asked the reason \$108,000 when they will break even at the end of the fiscal year.

Chief Gallacher said that would be correct, but his understanding in talking with Mr. Rodriguez is the funds were spent slowly and we were slow in bringing everything up to line. He said, "In your words the money was appropriated but not funded, I believe."

Mr. Rodriguez said we did not allow a carry-forward is what happened. In previous years, it was appropriated and they rolled it forward with all this cash. He said the institutional behavior we're trying to change now is that unless you can justify using it now, it is cut. And if you need it in the future, you will come back to the Council and request for the extra resources, and that's what we're doing here.

Councilor Maestas said it shouldn't have anything to do with the slow pace of expenditures, and more to do with whether it carries-forward into the next fiscal year.

Mr. Rodriguez said one caused the other, and when the budget was developed it seemed that the anticipated expenditures would be to the limit. He said we explained at the time if you need additional resources you would have to come to the Council and ask for the amendments.

Councilor Maestas asked what happened to the money.

Mr. Rodriguez said it went to the General Fund ending balance, so now you're bringing it back from there.

Councilor Maestas said the Governing Body specifically allocated the \$200,000.

Mr. Rodriguez said that was two years ago, and now that the subscription rate is up and the resources are going to be use we are recommending the budget be increased.

Councilor Maestas asked if we can be sure that the \$108,000 will stay there for this program.

Mr. Rodriguez said, "No. I promise you sir, if it's not used it will go to the General Fund ending balance, and they will have to come back to you again and explain the reason those funds aren't used."

Councilor Maestas asked the reason it isn't a PYE, like we just talked about, and why this wasn't reappropriated to the next year for this program.

Mr. Rodriguez said, "We didn't think they were going to use this level last year at this time when we were developing the budget, we didn't see the subscription rate, the participation rate that would justify this high a budget, so we cut the budget to what it seemed they were going to be using."

Councilor Maestas said it appears that the Chief was unaware that the funds had reverted to the General Fund. He wants insight into the process, to make sure our programs are protected. He said don't you get to the point that you ask if the money is going to be spent before cuts should be made, or what will be a PYE or what will revert to the General Fund.

Mr. Rodriguez said, "I give them my report every month. You are going to hear that report at the end of the meeting. So part of the behavior, I feel very strongly we need to instill here, is that you budget for what you need, only that, and not for the extra amount, and somehow expect it will roll forward if you don't use it. They've got to come to you to get that permission. By the way, the Chief can only say he didn't know about, because he wasn't Chief at that time. So it's accurate in every way."

Councilor Maestas said, "I just want to make sure we have a fair practice that, when we deliberate over these programs and appropriate money it some doesn't get reverted to the General Fund because it's not being spent."

Mr. Rodriguez said, "I promise you sir, that that will always happen. And you'll hear from this Finance Director if I don't think that money is going to be spent there *[inaudible]*. But my recommendation will always be budget for what you're going to use. And 30 seconds of why. Currently, the City spends anywhere to \$30 to \$45 million a month, and I've got to keep the cash on hand to make those payments. If it turns out I'm keeping more cash on hand than they're actually going to use, then that is costing us revenue through cash investments. I've been pushing the departments, I think it's fair to say, I've been pushing the departments to truly put in their budget only what they plan to spend."

Councilor Maestas asked what happens if there if a professional services agreement that will extend beyond the fiscal year – do you have them express those expenditures.

Mr. Rodriguez said yes, and they will be asked if they have contracts which will span the fiscal year, if year, that money is put in the budget with an explanation. He said, "We don't just assume that because it was approved last year or the year before that it rolls forward on its own without anybody having to explain or come and ask for the extra appropriation. We just don't do that any more. And we ask them why you need it, etc. I think over time that will get us to a better budget."

Councilor Rivera said this is a multi-jurisdictional program and involves more than the City.



Chief Gallacher said that is correct.

Councilor Rivera asked if all 49 participants are all within the City limits.

Chief Gallacher said all live within the City limits.

Councilor Rivera said the program appears to be working nicely, and said, "Keep up the good work. It looks like you're making great strides, so congratulations."

Chief Gallacher said this program speaks to efficiencies and having our officers freed up instead of re-arresting the same people over and over, while at the same time helping them.

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

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

\*\*\*\*\*

**END OF CONSENT CALENDAR DISCUSSION**

\*\*\*\*\*

*Councilor Lindell departed the meeting*

**DISCUSSION AGENDA**

**22. DISCUSSION ON MONTHLY FINANCIAL REPORT ENDING OCTOBER 31, 2015. (OSCAR RODRIGUEZ)**

Mr. Rodriguez reviewed the *City of Santa Fe Fiscal Year-to-Date Financial Performance Report as of October 31, 2015*, dated January 19, 2016, which is in the Committee packet. Please see this document for specifics of this presentation.

Mr. Hopkins noted the data for the report is through October, and you will more changes for November, commenting that this is a living document. He said he speaks with department personnel about his assumptions about vacancies and considers those. He said projections are based on a budget actual variance and the trend projection or curve analysis, and explained how this is done. He said he doesn't want to get "crazy" and consider something as a trend when it really is an anomaly.

Mr. Rodriguez said the Committee will be receiving a report on the GRT, which shows the receipts dipped considerably, although it had been coming in considerably above projections, but we are still about 3% above the budgeted revenue, which we think will hold.

Chair Dominguez said aside from the predictors, the numbers for Land Use are consistent with what we're seeing in the industry in general, and that goes along with the economy.

Mr. Hopkins agreed, saying he tries to keep up with economic trends and factor those into his calculations as well.

Chair Dominguez asked Mr. Rodriguez what direction, if any, he has been given to do with funds in excess of expenditures.

Mr. Rodriguez said it goes to the reserves, and the difference to capital expenditures or to one time monies.

Responding to the Chair, Mr. Rodriguez said the 10% to capital will be codified when you approve the budget, commenting in any event he will bring it to the Committee with his recommendation. He would strongly recommended these funds not be used to increase operations which will continue.

Mr. Hopkins said it should be treated as the equivalent of a "Christmas bonus or an unexpected check from your grandmother," but don't use it for ongoing expenses which isn't fiscally prudent.

Councilor Rivera what is included in other taxes on the revenue side which is predicted to be 16% under anticipated.

Mr. Hopkins said that would be primarily automobile license fees, which is State shared revenue.

Councilor Rivera asked if that is an educated guess and Mr. Hopkins said yes.

Councilor Rivera noted the revenue from interest on investment, and asked if this is separate from what Helene reports on.

Mr. Hopkins said these are his projections. He said Ms. Hausman did the projections in March 2015, and a lot has happened since then.

Councilor Rivera said then Ms. Hausman's report should reflect the numbers given to us by Mr. Hopkins.

Mr. Rodriguez said we're updating everybody's numbers, noting the numbers given to us by Ms. Hausman in February 2015, we based on interest rate and market conditions at the time which was less than 0.3%, and they're up to 0.52%, so conditions have changes, and we' updating. He said the information Ms. Hausman had was the best available, and we now have better information.

Councilor Rivera's said we're showing a significant decrease in projected interest and investments.

Mr. Hopkins reiterated the process of calculating the proposed interest.

Mr. Rodriguez said he has asked Ms. Hausman to set aside much shorter term instruments, so we can make the June 1<sup>st</sup> call for the Water Bonds, so as a result, there is a lot less cash available to use to earn interest. This is another reason the estimate is being adjusted downward.

Councilor Rivera asked if the expenditures are reflective of department staff taking cost saving measures.

Mr. Hopkins said it is that and the traditional under-expenditures due to vacancies.

Councilor Rivera asked if there is anything in the report that "scares the bejeesus out of you."

Mr. Hopkins said no, just because it is too early in the fiscal year for concern, noting trends change and unexpected things happen.

Mr. Rodriguez said as we talk about temporary employees, if we don't fill these positions, a lot of people will file for unemployment and there will be a big cost to that. He said we're going to try to pre-fund that fund this year, as opposed to having each department pay as it comes. He said next year might be extraordinary in that sense, and he is concerned that could be very significant. He will keep an eye on that

Chair thanked staff for their excellent work and this report.

## **23. MATTERS FROM THE COMMITTEE**

Chair Dominguez wished Councilor Rivera a very Happy 50<sup>th</sup> Birthday.

Councilor Maestas asked when we are going to discuss the CAFR.

Mr. Rodriguez said that was approved on consent and he can bring it back for discussion if the Committee would like.

Chair Dominguez said we should look at it, but he doesn't want to make it a part of the budget discussions.

Mr. Rodriguez said he can arrange a meeting with the auditor for Councilor Maestas.

Councilor Maestas said he will do so off line and inform the Chair.

Councilor Maestas said he is getting concerned about some elements of the budget deficit framework, noting some will require policies. He wants to avoid what happened last time with the Water Fund Transfer. He said we need to give direction to staff, and look at Resolution on efficiencies.

Chair Dominguez said he would presume a policy would run parallel with the budget, and we can discuss the mechanics of that.

Councilor Maestas said perhaps we can take extraordinary measures and pass policy in conjunction with budget development, since the budget hearings are a committee of the whole.

Councilor Maestas said he agrees with Councilor Ives that everything needs to be on the table, but everything isn't in the framework and we need more information on employee benefits, identify areas where we can save money, and consider curtailing some of those benefits – we need to give staff more direction to begin moving forward. He said benchmarking as very clear in the Resolution we adopted in early December. He asked staff to look at that Resolution and identify what further direction you need from the Committee, so we can start getting that information.

Mr. Rodriguez said he has been in this business for 25 years, and in the very best of circumstances it is hard to get information flowing and people talking in a meaningful fashion. He said a big part of the behavioral change we need to do will take at least 2 years to the point we will have meaningful benchmark information. He said it would serve no purpose if he put it out there and the departments disavow it, not understand it, not follow it and so forth. He wants to temper the expectation here that this is something that can be done quickly in a matter of months, and once you have it, it will be a meaningful conversation. He can produce the information, but you may not be satisfied with the conversation. It will take time to take the information and have meaningful conversations.

Councilor Maestas said the public wants us to identify the cuts before considering new revenues, but some of the frameworks include new revenues in the next fiscal year. He said for a multi-year strategy he thinks the cuts should be on the front end and revenues on the back end. He can't support having it all at once. The direction to staff needs to be crystal clear. He talked about his efforts, including a temporary hiring freeze, but nobody liked that idea. He wants to identify efficiencies and figure out how to implement them. He is a little put off, and feels time is getting away from us and we need to have that first, robust discussion about everything. He wants to move all of this forward in parallel tracks in solving these issues. He wants research and an abstract of how franchise fees would work and be assessed.

Chair Dominguez said he is open to suggestions, noting the point is, who is going to propose cuts and/or revenue increases. He said staff provided a memorandum regarding these fees including. He said we need to strike a balance, saying we each have our own ideas of how things should be done. He said there are things on which he won't sacrifice or compromise, but he is willing to listen and come up with a solution.

Chair Dominguez said, "For the record, I would suggest each of us... part of the problem we're all in an election mode at some point in some capacity. We need to remove politics as much as we can, and come up with a solution that will work in the short and long term. We don't have to tie the hands of future administrations, but we have gone through severe ups and downs financial, economically, staff-wise..... as much as I wish that we could do all these things quickly. I'm tired of having these discussions we've been having since 2008 when the economy went bad and having to make those tough decisions. If anybody wants things to happen more quickly, I am one of them."

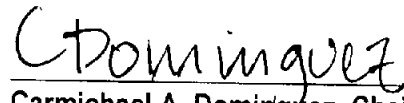
Councilor Rivera said before do anything on new revenues, we should look at the value of the property on Siler Road to see the potential revenue if we sold that property, and how many years it would be before we move there after we get out of the hole. He asked if we can get Matthew O'Reilly to get an estimate on that for the Committee. He is unsure it makes sense to hold the property with the idea of moving there at some point, considering we have a deficit of \$15 million. He doesn't know how many

years it would take to move in that direction after we address the deficit. He is unsure that we would want to move there, commenting to have City Hall in its current location makes a lot of sense to him.

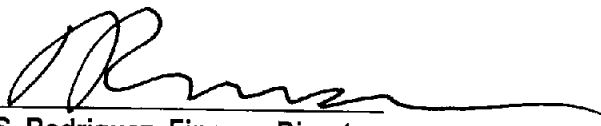
Mr. Rodriguez said he can provide that information which is already in hand. However, if this is done, he recommends we treat it as a one-time revenue and don't spend it on recurring expenses. He said selling the Siler property will not close the structural deficit which is ongoing costs against much lower ongoing revenues.

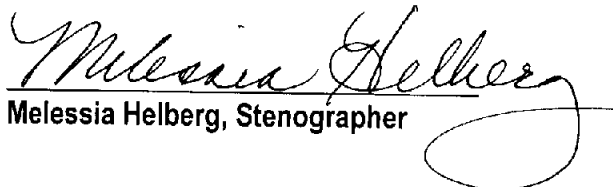
#### 24. ADJOURN

There was no further business to come before the Committee, and the meeting was adjourned at approximately 7:15 p.m.

  
Carmichael A. Dominguez, Chair

Reviewed by:

  
Oscar S. Rodriguez, Finance Director  
Department of Finance

  
Melessia Helberg, Stenographer

# **Budget Process Kick-off:**

## **Setting the Strategy for Closing the Deficit**

Presented to Finance Committee

January 19

*Exhibit "1"*

# FY 2016/17 Budget Calendar

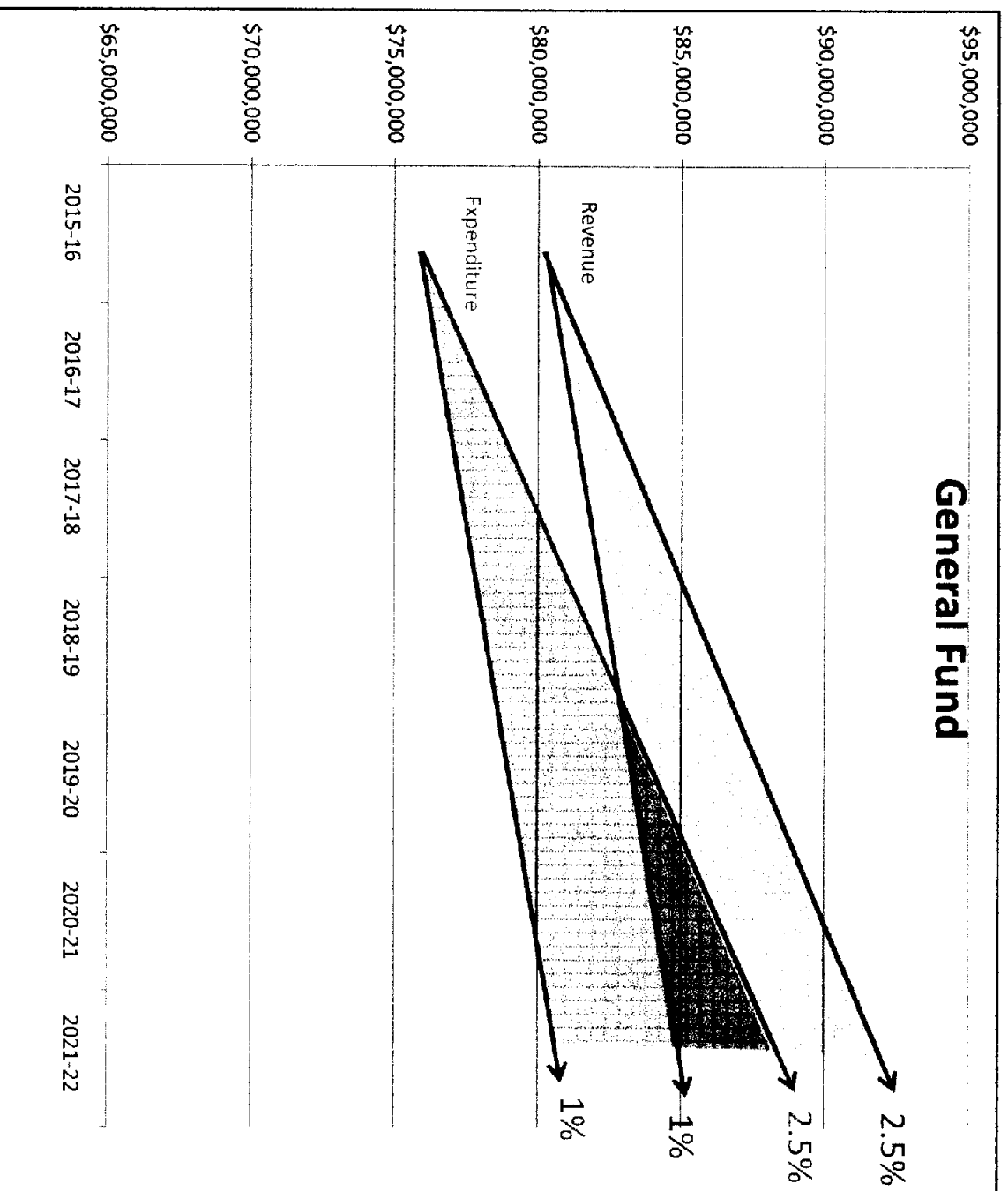
Jan 19:	Finance Committee kick-off work session to review fiscal forecast and discuss/approve budget priorities and policies
Jan 22:	Current Personnel Allocation Information sent to Departments
Feb 3:	Dept Budget Training Session #1, Council Chambers, 10am-Noon
Feb 5:	Dept Budget Training Session #2, Council Chambers, 1PM-3PM
Feb 26:	Final Budget Submittals/Forms Due to Budget Office
Mar 2–20:	Finance Dept. reviews, analyses and formulates 1 <sup>st</sup> draft of budget
Mar 21–Apr 4:	City Manager formulates <u>Recommended Budget</u>
Apr 4–17:	Finance prepares <u>Recommended Budget</u> document
Apr 25–29:	Finance Committee reviews and considers <u>Recommended Budget</u>
May 11:	City Council 1 <sup>st</sup> reading of Finance Committee's recommendations
May 25:	City Council meeting for adoption of FY 2016/17 Operating Budget
Jun 1:	Deadline to send <u>Adopted Budget</u> to NM Dept of Finance & Admin.
Jul 1:	Start of FY 2016/17

# Strategic Questions for Developing the Budget

- Timeframe for closing the deficit?
- Structural deficit addressed separately from current budget
- How much revenue increase(s)?
- What priorities are held harmless from cuts?
- Borrow from reserves?
- Franchise fee to Utility Enterprise Funds?



# 5- Year Budget Forecast



# Strategy for Drafting the FY 2016-17 Budget

Reserves/Debt	Operations	Sustainability
Budget Assumptions		
<ul style="list-style-type: none"> <li>General Fund balance at 10%</li> <li>Borrowing from reserves at 2% APR</li> </ul>	<ul style="list-style-type: none"> <li>2% revenue growth</li> <li>\$1.5% inflation</li> </ul>	<ul style="list-style-type: none"> <li>One-time revenue goes to one-time costs/projects/initiatives</li> <li>Infrastructure and/or critical mission services are top priority</li> <li>No expansion or new initiatives except to reduce costs</li> </ul>
Financial Management Goals		
<ul style="list-style-type: none"> <li>Structural deficit addressed separately from current budget</li> <li>Debt service limits within 5 years:                             <ul style="list-style-type: none"> <li>10% of total operating budget</li> <li>\$1,200 per capita</li> </ul> </li> <li>Annual capital investment greater than total capital depreciation</li> </ul>	<ul style="list-style-type: none"> <li>Efficiency of operations should be competitive with that of comparable cities/operations</li> </ul>	<ul style="list-style-type: none"> <li>Current expenditures covered only with current revenues</li> <li>Diversification of revenue and economic base is top priority</li> <li>Business-type activities to become self-sustaining in 5 years</li> </ul>

## **Budget Preparation Instructions to Departments**

- Inflation at 1.5%
- Assume vacancy rates at average of past 3 years
- Departments help prepare their personnel budget
- No expansions or new initiatives except to reduce costs
- No carry-forwards
- Operating Budget separate from Capital Budget (CIP)
  - Programs should be competitive with efficiency indicators in comparable cities
- All programs will present performance indicators

# Finance Chairman's Deficit-Closing Framework

Deficit closed in FY 2018/19, <u>borrowing</u> from Water Fund repaid at 2% interest					
	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2019/20</u>
Operating Deficit at July 1	15.0	4.5	3.5	0.0	0.0
New Revenue <sup>a</sup> *	3.8	3.8	3.8	3.8	3.8
Operations & Mntc Cuts*	2.0	3.0	4.0	4.0	4.0
Utility franchise fee*	4.7	4.7	4.7	4.7	4.7
Borrowed from Water* Fund and payback @ 2% APR	4.5	3.5	2.5	(5.3)	(5.3)
¼¢ Water GRT removed and GRT increased in General Fund by ¼¢	0.0	0.0	0.0	7.8	7.8
Accumulated Debt to Water Fund	4.5	8.1	10.8	5.5	0.3

<sup>a</sup> Equivalent to a ¼ GRT increase

\* Cumulative

# Councilor Ives' Deficit-Closing Framework

Deficit closed in 2017/18			
	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Operating Deficit at Start July 1	15.0	7.5	0.0
Cumulative Operations Cuts	3.7	8.0	8.0
Cumulative New Revenue Increase <sup>a</sup>	3.8	7.0	7.0
Transfer from Water Fund	7.5	0.0	0.0

<sup>a</sup> Equivalent to a 1/8 GRT increase the first year

# City of Santa Fe, New Mexico

## LEGISLATIVE SUMMARY

Resolution No. 2016-\_\_

Budget Guidance

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**SPONSOR(S):** Councilor Ives

**SUMMARY:** The proposed resolution provides guidance on the structure of the budget of the City of Santa Fe and certain reporting requirements.

**PREPARED BY:** Rebecca Seligman, Legislative Liaison Assistant

**FISCAL IMPACT:** Yes

**DATE:** January 14, 2016

**ATTACHMENTS:** Resolution  
FIR

1 **CITY OF SANTA FE, NEW MEXICO**

2 **RESOLUTION NO. 2016-\_\_**

3 **INTRODUCED BY:**

4  
5 Councilor Peter N. Ives

6  
7  
8  
9  
10 **A RESOLUTION**

11 **PROVIDING GUIDANCE ON THE STRUCTURE OF THE BUDGET OF THE CITY OF**  
12 **SANTA FE AND CERTAIN REPORTING REQUIREMENTS.**

13  
14 **WHEREAS**, the annual Budget of the City of Santa Fe is a critical document in the  
15 City's annual planning processes; and

16 **WHEREAS**, the annual Budget should promote transparency in the fiscal affairs of the  
17 City of Santa Fe; and

18 **WHEREAS**, the annual budgeting process should promote the ability of the Governing  
19 Body to make policy priority choices for programs and funding each fiscal year; and

20 **WHEREAS**, changes are required in the annual budgeting process to ensure that the  
21 budget is properly balanced and the goals set forth above are realized; and

22 **WHEREAS**, the City Finance Department has advised the Governing Body that in the  
23 next fiscal year, 2016-2017, the City faces an \$11,000,000 to \$15,000,000 budgetary shortfall,  
24 and needs to correct some \$5,000,000 to \$6,000,000 in realignments within the budget, all of  
25 which have accrued over a series of years; and

1           **WHEREAS**, preliminary analysis of City staffing levels suggests that those staffing  
2 levels are higher than in cities of comparable size, operation and structure; and

3           **WHEREAS**, the Governing Body needs to provide guidance on solutions to the  
4 budgetary issues that have been identified to it; and

5           **NOW THEREFORE BE IT RESOLVED THAT** the annual City of Santa Fe Budget  
6 and the annual budgetary process shall be guided and governed by the following policies and  
7 reporting requirements:

8           1.       The Finance Department shall, with policy guidance from the Governing Body,  
9 bring forth a two year plan to eliminate the estimated budget deficit, estimated at \$15,000,000,  
10 using a combination of spending cuts and revenue enhancements.

11          2.       The City Manager, working with staff, shall identify ten to fifteen cities (the  
12 "Comparison Cities") within the Southwestern Region of the United States that have  
13 characteristics by nature of geographic size, population, economic structure, operation of  
14 municipal utilities, tourism, and such other factors as the City Manager believes justified in  
15 articulable measures, that are similar to the City of Santa Fe, or on the basis of which the City of  
16 Santa Fe can evaluate its staffing, expenditure and service levels. Some cities that might be  
17 utilized for these purposes are Las Cruces, New Mexico; Farmington, New Mexico; Flagstaff,  
18 Arizona; Tucson, Arizona; Colorado Springs, Colorado; Fort Collins, Colorado; Lubbock, Texas;  
19 Amarillo, Texas; Topeka, Kansas; Carson City, Nevada; and Boise, Idaho.

20          3.       The City Manager shall analyze and compare the Comparison Cities staffing and  
21 expenditure levels to those of the City of Santa Fe, on a department by department, division by  
22 division level, and present the findings of such a comparison within 45 days to the Governing  
23 Body. The City began the discussion of the need for such parameters in its last budgetary cycle in  
24 April 2015, and staff has begun this process.

25          4.       The Governing Body, on the basis of the comparisons performed shall set goals



1 for reductions in staffing and expenditures and services levels for budget years 2016-2017 and  
2 2017-2018.

3 5. The City Manager, working with the Finance Division, and other City  
4 departments, shall identify and recommend systemic and other cuts in staffing, expenditures and  
5 services in each of the following two years budget years in an amount of not less than \$4,000,000  
6 to \$6,000,000, and identify revenue increases of \$2,000,000 to \$4,000,000 per year, bridging the  
7 first year with an anticipated \$5,000,000 to \$9,000,000 in interfund transfers to provide a  
8 balanced budget in 2016-2017, i.e., per the following table:

9	Year	Deficit	Expense	Revenue	Transfers	Total
10			Cuts	Increase		Cuts + Increases
11	<hr/>					
12	16-17	\$15 mil.	\$4-6 mil.	\$2-4 mil	\$5-9 mil	\$15 mil
13	17-18	\$7.5 mil	\$4-6 mil	\$1.5-3.5 mil	\$0	\$7.5 mil
14	18-19	\$0 (recognizing that there are many other factors that will determine revenues and				
15		necessary expenditures).				

16 In presenting its plan, the staff must address the elimination of the State's hold harmless  
17 on certain gross receipts taxes, City health plan excise taxes, City leave liabilities and perform an  
18 analysis of structural economy based anticipated declines in gross receipts tax revenues.

19 6. Recognizing that based on preliminary work performed by the City in evaluating  
20 its staffing levels and the fact that employee expense equals approximately 80% of the City's  
21 annual budget, reductions in the number of City employees and/or the expenses associated  
22 therewith, will be a necessary part of the reduction and elimination of the budget deficit, the City  
23 Manager shall bring forward a plan for reasonable reductions in staffing levels, maximizing  
24 reductions through attrition, while ensuring that the core services functions are maintained at  
25 acceptable levels of service. Said plan shall additionally look at early retirement incentives,

1 reductions in health plan coverage to ensure that “Cadillac” health plan excise taxes are  
2 minimized by the City (based upon the last estimate given during the 2015-2016 budget process,  
3 such taxes will absent changes to the City health plan, begin being imposed in the 2016-2017  
4 budget year and will rise to \$5,000,000 annually after 7-8 years).

5         7.       Core services are public safety, water utility, waste and recycling, maintenance  
6 of a social safety net, public rights-of-way, public health and affordable housing, all defined in  
7 terms of quantifiable performance indicators that are comparable with that of the Comparison  
8 Cities in a transparent manner that encourages public participation in the processes of city  
9 government; specific policy directives are the:

10               a.       reduction of crime, with an emphasis on property crimes, violent crimes,  
11 alcohol abuse, illegal drug sales and abuse (observing the City’s guidance on marijuana), and  
12 DWI;

13               b.       delivery, maintenance expansion of a healthy and resilient water supply  
14 at rates and programs which support conservation;

15               c.       promoting recycling and efforts to reduce waste;

16               d.       to build and maintain a robust and resilient safety net for those in need in  
17 Santa Fe, emphasizing the availability of housing, food security and employment for all Santa  
18 Feans;

19               e.       promotion of public health and building community through urban  
20 design and land use decisions and operations;

21               f.       expansion and diversification of the Santa Fe economy to expand  
22 employment opportunities for Santa Fe’s youth and young adults;

23               g.       modernization of the City’s information technology infrastructure to  
24 ensure efficiency in governmental operations, especially the capture of and reporting on City  
25 financial data, high performance in HR, payroll and similar functions, maximizing the availability

1 of information to the public to promote transparency and participation, and the simplification and  
2 electronic processing of land use processes and other City-public interactions.

3 8. Staff is directed to review, analyze and report to the Governing Body on the  
4 following additional potential expenditure cuts, along with others that they identify, some of  
5 which are currently in process based on other actions by the Governing Body and by staff:

6 a. In light the City's significant cash position, the retention of which in  
7 various instances requires payment of interest, sometimes at the rate of 4+% annually and on  
8 which the City earns approximately 0.5% annually, resulting in an arbitrage loss of approximately  
9 \$3,000,000 to \$5,000,000 annually, staff is directed to identify and report what debts of the City  
10 can be prudently paid using available City cash, such as the \$34,000,000 water bond, resulting in  
11 an interest expense reduction in an amount between \$2,000,000 to \$3,000,000 or more annually;

12 b. Explore opportunities for greater efficiency and cost savings from  
13 updating or upgrading the City's IT infrastructure, recommending changes to City IT systems that  
14 would result in cost reductions within a 24 month period, including, by way of example and not  
15 limitation, systems that would allow and promote direct deposit of payroll checks;

16 c. Prepare and deliver to the Governing Body a report on overtime use  
17 across each department and division, identifying structural, scheduling or other changes that can  
18 be implemented to reduce overtime, in any and every form, to minimal amounts;

19 d. Given the significant value of accrued leave across the City, report with  
20 specificity on all leave policies throughout the City and bring forward reasonable changes to  
21 those leave policies, capping the amount of annual, sick and other leave that can be accrued and  
22 carried over annually;

23 e. Identify and report on each position within the City that has been vacant  
24 for a period of two years or more and eliminate it or bring forward compelling reasons for its  
25 retention and action by the Governing Body; and

1           f.       Evaluate and report on potential savings from a change in protocols  
2 within the fire department to dispatch rules that require a ladder truck to be dispatched with an  
3 ambulance to any call for service, all in light of the fact that many calls for assistance do not  
4 reasonably require the dispatch of a ladder truck.

5           9.       Staff is directed to review, analyze and report to the Governing Body on the  
6 following potential revenue enhancement means, along with others that they identify:

7           a.       A two cents gas tax increase, which would raise an estimated \$950,000  
8 in revenue for core services relating to public rights-of-way;

9           b.       An increase in gross receipts taxes of 1/8 of a percent pursuant to the  
10 authority granted to the City to raise gross receipts taxes in light of the State of New Mexico  
11 elimination of the hold harmless payments previously made to cities and counties; such an  
12 increase would raise revenues an estimated \$3,800,000;

13           c.       Modifications to the City's short term rental ordinance that will both  
14 make the application of the ordinance more equitable, but ensure that revenues due to the City are  
15 in fact collected;

16           d.       Evaluate the City's additional efforts at collection of revenues due it  
17 from various fees, fines and penalties, identifying the amount in such fees, fines and penalties that  
18 exist and what steps need to be undertaken to ensure collection of those monies;

19           e.       Evaluate and report on a potential increase in property taxes in the  
20 amounts of 1-2 mil, and specifically addressing any means of lessening the impact of such an  
21 increase on those citizens within our community living in poverty or on fixed incomes, who have  
22 the least ability to absorb such an additional increase, and specifically addressing whether such a  
23 tax could be applied to luxury and/or second homes; and

24           f.       Evaluate the existing 411 funds in which the City has approximately  
25 \$220,000,000 to determine what funds are required to be maintained and what funds can be

1 closed with any excess funds being transferred into the general fund account; and

2 g. Working cooperatively with the County of Santa Fe to evaluate and  
3 possibly implement a Santa Fe County Flood Commissioner program, ensuring that any funds  
4 raised through such a program from the residents of the City of Santa Fe, are utilized within the  
5 jurisdictional limits of the City of Santa Fe.

6 10. To the extent reasonably practicable, within the budget, and at a level that allows  
7 for policy priority making by the Governing Body, each department and each division within a  
8 department shall develop performance metrics and provide data on the effectiveness of the  
9 programs and expenditures of the City in the prior fiscal year as well as the current state of need  
10 in the area of the particular program; staff shall perform such functions and report to the  
11 Governing Body making program support and funding recommendations, within forty-five (45)  
12 days in the following specific areas, which are hereby prioritized:

- 13 a. continued reduction of property crimes;  
14 b. reduction in the sales and use of illegal drugs;  
15 c. availability of truly affordable housing to meet the city's current needs;  
16 d. reduction in homelessness;

17 By way of clarification and example, in the area of affordable housing, data and information shall  
18 be provided that identifies what affordable housing is, what affordable housing is available within  
19 the community, how many people in need are unable to secure affordable housing, proposing  
20 goals for the ensuing 1-5 fiscal years with an identification of what funding will be necessary is  
21 each of the succeeding fiscal years to reach the goals set forth, and proposing any modifications  
22 to existing programs and policies needed to reach the goals proposed.

23 11. The following are adopted as necessary budgetary reporting processes and  
24 timeframes:

- 25 a. In the last two weeks of each of the first two quarters, i.e., quarter 1 (July

1 through September 30) and quarter 2 (October 1 through December 31), and no later than the last day of each of the months of January, February, March, April, and May, and in the middle of June, of each fiscal year, the Finance Department shall provide a capital outlay and project tracking report (the "Capital Project Outlay and Tracking Report"), which shall list by department, and division within each department, by column, the following information for each capital project valued at in excess of \$25,000.00: Project Description, including a unique project identification number; funding source; Bonds Sold; Appropriation Amount; Total Amount Expended to Date; Total Amount Expended in Previous Fiscal Quarter, Current Balance, Milestones Achieved in the Last Quarter; Milestones Goal for the Next Quarter; Project Phase; Amount Obligated; Completion Date; Project Status including a best estimation of project completion; Progress Rating, which shall be in three categories: (1) Bond Sold/Grant Agreement/RFP, (2) Plan/Design, and (3) Construction/Renovation/Other; and the last section of said reporting, the Progress Rating, shall be colored coded according to the following parameters: Green – Project on Schedule, Yellow – Project Behind Schedule, Red – No Activity of Bonds Not Sold, White – Additional Funds Needed, Blue – Appropriate Expended or Project Complete; the purpose of color coding is to be able to easily identify the status of each particular project. The Capital Project Outlay and Tracking Report shall be completed by each project manager within the City assigned to a project identified in the Report, and submitted to the Finance Department for review and approval before submission to the Governing Body.

b. Each capital project shall have a project plan ("Project Plan") that will be approved when the capital expenditure is approved; the plan will include the following elements:

- i. Statement of need;
- ii. Detailed timeline, including anticipated funding timing, timing of the design, bidding, construction and project completion phases;
- iii. Statement of anticipated results and public benefits of the

1 project; and

2 iv. A carbon neutrality impact report.

3 c. Project managers working for the City shall be evaluated annually on  
4 their ability to deliver the projects on which they work on time and on budget and fully  
5 accounting of expended time and funding; such evaluations and measurements shall be  
6 incorporated into the job descriptions for these positions and the regular annual performance  
7 evaluation.

8 PASSED, APPROVED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

9  
10 \_\_\_\_\_  
11 JAVIER M. GONZALES, MAYOR

12 ATTEST:

13  
14 \_\_\_\_\_  
15 YOLANDA Y. VIGIL, CITY CLERK

16 APPROVED AS TO FORM:

17   
18 \_\_\_\_\_  
19 KELLEY A. BRENNAN, CITY ATTORNEY

## City of Santa Fe Fiscal Impact Report (FIR)

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

### Section A.      General Information

(Check) Bill: \_\_\_\_\_ Resolution:   X  

(A single FIR may be used for related bills and/or resolutions)

Short Title(s): **A RESOLUTION PROVIDING GUIDANCE ON THE STRUCTURE OF THE BUDGET OF THE CITY OF SANTA FE AND CERTAIN REPORTING REQUIREMENTS.**

Sponsor(s): Councilor Ives

Reviewing Department(s): Finance Department

Persons Completing FIR: Oscar Rodriguez Date: 1/12/16 Phone: x6530

Reviewed by City Attorney: *Kelly A. Brennan* Date: 1/19/16  
(Signature)

Reviewed by Finance Director: *[Signature]* Date: 1-15-2016  
(Signature)

### Section B.      Summary

Briefly explain the purpose and major provisions of the bill/resolution:

**This resolution would provide guidance on the structure of the budget for the city of Santa Fe, and institute certain reporting requirements to increase the transparency for the public. The resolution also defines core services within the City, allowing city management to make informed decisions when enacting targeted budget reductions.**

### Section C.      Fiscal Impact

**Note:** Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- a. The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- b. Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- c. Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)\*

#### **1. Projected Expenditures:**

- a. Indicate Fiscal Year(s) affected – usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- b. Indicate:      "A" if current budget and level of staffing will absorb the costs  
                      "N" if new, additional, or increased budget or staffing will be required
- c. Indicate:      "R" – if recurring annual costs  
                      "NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- d. Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- e. Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

Finance Director: *[Signature]*



X   Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____
Total:	\$ _____			\$ _____			

\* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. \*\*For fringe benefits contact the Finance Dept.

## 2. Revenue Sources:

- To indicate new revenues and/or
- Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY _____	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

_____	\$ _____	_____	\$ _____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____
Total:	\$ _____		\$ _____		

### 3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

The resolution prescribes a framework for closing the City's estimated \$15 million deficit within two fiscal years through both revenue increases, cuts to operations, and transfers from the water fund. The resolution itself will not have fiscal impact, but it would serve as direction to staff for drafting the budgets for FY 2016/17 and FY 2017/18, which will have significant impact.

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### Section D.      **General Narrative**

**1. Conflicts:** Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

None identified

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### **2. Consequences of Not Enacting This Bill/Resolution:**

Are there consequences of not enacting this bill/resolution? If so, describe.

Not approving this resolution or an alternative will leave the staff without policy direction for drafting the FY 2016/17 budget and addressing the \$15 million recurring deficit, which involve major policy decisions.

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### **3. Technical Issues:**

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

None identified.

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### **4. Community Impact:**

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

The benefit of this resolution is that it will provide greater transparency and order to a program of major financial restructuring the City will have to undertake to close its recurring operating deficit, including cuts services and increases in revenue.

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SANTA FE CHAMBER  
OF COMMERCE

**Ad Hoc Committee Recommendations re: City Budgetary Challenges**

**Intro**

The City of Santa Fe's anticipated 2016 Budget shortfall is a challenge necessitating swift response from the City Council. There is no single cause or a simple answer to correct the City's financial position and the decisions the City Council will be faced with will certainly be complex and challenging. With the desire to aid the City of Santa Fe with this difficult challenge, a group of committed business and community leaders joined forces as an ad hoc committee to offer an independent evaluation of the city's current financial shortfall, and provide suggestions for addressing the budget shortage and larger systemic issues that contributed to the city's current deficit position.

The authors of this study have scrutinized the city's operations and commitments by going over publicly available records. This collaborative document is intended to provide the City of Santa Fe's leadership with best practices from private industry and other municipalities and recommendations in full consideration of the City's broad spectrum of responsibilities. We recognize that these 40+ recommendations are not complete but may assist the decision-making process. We also urge the City to examine best practices and structural processes from other municipalities to determine appropriate staffing levels and expenditures.

In finding solutions to the multifaceted causes of the budget shortfall, City Leadership will have an opportunity to modernize services and optimize the city's enterprise and general services. Our recommendations are presented in the following sections:

- Expenses
- Revenue
- Growth
- Systemic issues.

As all courses of action are considered, the option of raising taxes should not be considered prior to a detailed level examination of operations, revenues and corresponding expenses. Excessive expenses without corresponding benefits reveal important failings in the city and to not address them will continue a cascade of growing issues into the future.

## **Expenses**

### **Salaries Wages and Benefits**

As in many organizations, salaries and related employee benefits account for a significant portion of the annual expenses. Santa Fe has payroll and related expenses that are disproportionate to its size when compared to other similar communities, with salaries and benefits representing approximately one third of the City's total appropriations. Employee benefits are approximately 50% of employee compensation or 1/6<sup>th</sup> of the city's annual expenses. Because of the scale of this category, even small gains in optimization can have a significant impact in the full budget. The size of this budget item, coupled with a prolonged economic downturn, necessitate the city to address changes in this area. Gross receipts taxes (adjusted for inflation) have fallen steadily since 2008 and there has not been a corresponding adjustment to the city payroll. Private industry has had to adjust the compensation models for all employees in response to changing economic factors and benefit costs and the city needs to do the same. Economic downturns require effective work-force management, which addresses both the short-term and long-term strategies to control personnel costs. The recommended changes may require Union support through the collective bargaining process.

The following are recommendations to the City to reduce payroll and related expenses:

- Review the City's overtime policy and limit or eliminate overtime compensation in all noncritical areas.
- Solicit volunteers to work a reduced hour work-week. To some, a reduced schedule, would be a benefit of their position. Reducing the number of hours in the workweek would generate significant savings and might avoid a forced reduction in the workforce.
- Require employees to take a certain number of unpaid vacation days, which would provide a short-term reduction in labor costs.
- When a position is vacated through attrition, it is not automatically filled. Utilize the vacancy to reassign tasks for optimization.
- Implement a hiring freeze in certain departments, functions or on all positions (excluding city health and safety).
- City could offer early retirement incentives or voluntary exit incentives. There may be one-time costs to implement these strategies.
- All full-time city employees participate in a cost-sharing multi-employer defined benefit retirement plan administered by the Public Employees Retirement Association (PERA). The plan provides retirement, disability benefits, survivor benefits and cost-of-living adjustments to all participants. The City elects to pay a portion of the employee's contribution as an additional benefit. The City might consider having the employee pay a larger portion of their contribution.
- The City self-insures employee health care benefits through a third-party administrator. The City sets aside funds to cover anticipated costs and purchases stop-loss coverage for catastrophic or unpredictable claims. The City might consider increasing the employee's contribution to better reflect the increasing cost of today's health care. It would be prudent to compare the cost of health care coverage from outside providers.

### **Other Areas for Expense Investigation**

There are several other categories in the city financial statements where there is not sufficient public information available for us to determine if there are expense reduction opportunities. We suggest delving deeper into the details of the following areas: Contract Services - \$20 million a year, Insurance - \$28 million a year, Claims and Judgments - \$22 million in 2014, Transportation - \$9.6 million.

## **Revenue**

The City of Santa Fe has many ways it can increase revenue without raising taxes. We support the following recommendations to fund the current deficit before any tax increases are considered.

### **Asset sales (land, real property, water/mineral rights)**

- Consideration should be given to the sale of land, real property, and water/mineral rights. The dollar amount of deferred maintenance and current maintenance costs for City property should be considered as relating to sale of city property. The committee understands an inventory of all city-owned land, real property, water & mineral rights is being compiled and this list can be utilized to select assets for sale.
- City needs to consider leasing land and property at current market rates and ensure all fees for such leases are being collected.
- Consideration should be given to privatizing certain Enterprise businesses services such as solid waste management, parking, etc. The water company could pay the city a franchise fee as is common with privatized utilities.
- Suggest a restructuring of the Railyard area's ownership and leasing structure to be simple and possibly sell portions of the city owned Railyard property. With 96% of the Railyard property being leased, there doesn't seem to be a viable way to increase revenue from the property in its current structure. With mounting deferred rent and continued city bonds, changes are necessary to get this enterprise obligation on better financial footing. This restructuring might include the disbanding the Railyard Corporation to reduce duplication of city positions and staffing overhead, and in doing so create a new property management division to professionally manage all city property assets.

### **GRT – Collection & Allocation**

- Recommend enforcement of state law regarding GRT exemptions on sales that are shipped out of the state. Currently the City of Santa Fe may lose as much as 10-20% of GRT because a significant number of high-dollar retail sales that are purchased in-person and then shipped out of state. A city ordinance could be put in place if the state tax department doesn't assist with clarification and enforcement.
- Ensure collection of GRT/Lodgers tax on all short-term city rentals. The committee understands a plan is under development to ensure all GRT/Lodgers tax is collected. The plan should include checking for proper licensing of short-term rentals at the same time tax is audited.
- Recommend paying off the water bonds to free up GRT revenue for other uses to move funds away from Enterprise spending to general allocation.
- Recommend investigating GRT increases that were implemented for specific projects and remain as part of the current GRT. Request rates and dollar amounts through the past 20 years. These should be removed or clearly reallocated.

### **Fee collections (Water, parking, licenses)**

- **Water:**
  - A plan to collect delinquent water bills needs to be implemented. There is an issue of 30% of water users being 90 days or more delinquent. This number is unnecessarily high since assistance is available to low-income users. We are concerned the installation of new meters is

resulting in higher bills and possibly increasing the amount of delinquency due to high volume of unresolved customer billing issues.

- An Autopay system might greatly increase the timely payments of water, sewer and refuse bills.
- The amount of water leakage needs to be made available and addressed.

- **Parking Tickets/Traffic:**

- The dollar amount of unpaid traffic citations needs to be quantified and a plan to collect delinquent citations needs to be implemented.
- Aged tickets need to be written off and no longer considered collectable,
- Consideration could/should be given to issuing a "cup of coffee" coupon good at local restaurants to vehicles with out-of-state license plates being ticketed. This would appear more tourism-friendly and it is believed that restaurants would participate.
- Review enforcement of cell phone use in cars. Can a photo station be utilized to ticket violators?

- **Permits, Licenses and City Hall functions:**

- The dollar amount of unpaid license fees needs to be identified and a plan to collect delinquent fees implemented immediately.
- Recommend technology upgrades for efficiency in applying, renewing and distributing licenses and permits. The current online renewal site needs to be updated and the number of online services expanded to include a computerized method of distributing renewal notices and online payments. This would reduce mailing costs and the long term efficiencies gained through more sophisticated consumer interface would create an expense reduction while elevating services.

- **Charges for Services (Recreation, ambulance)**

- Consideration should be given to increases to use City-owned recreational facilities.
- Clarification is need regarding whether or not charges are waived for individuals (i.e., low-income families, city staff, or others who use facilities) and if so, the dollar amount of revenue that is being lost.
- Clarification is needed if there are unpaid ambulance use charges and if so, the dollar amount is needed and a plan implemented to collect.

## **Additional Revenue Thoughts:**

The costs to the city arising from commuter reimbursement and cost of use on city vehicles created by city employees living outside of city limits and using city vehicles is unknown. Is it possible to increase compensation for these commuters as a way to enable them to live in Santa Fe and not commute?

## **Growth**

If Santa Fe is to continue to be a great place to live and work and to achieve a long-term balanced budget, it should have a clear road map and strategy to manage its growth to create opportunity for all. This will require a strategic approach to smart growth including environmental considerations, regional partnerships, embracing new technology and creating a culture of accountability with stakeholder consensus. Government should focus primarily on the critical tasks that are the foundation of a strong and safe community - economic

opportunity, infrastructure and protective services. A healthy sustainable rate would be 1.5%-2%, or about 400 new housing units a year.

Smart growth and appropriate economic development should be a priority for the Council in both the short and long terms. Growth creates GRT which pays for city staff and services. Support and resources to grow local businesses help to create career opportunities and a prosperous community. We are suggesting both short- and long-term goals. Some of these initiatives are already moving forward and we strongly support their continued momentum.

### **Short-term – 12 month horizon**

- Create a clear plan and map of suitable areas designated for growth and infill using existing roads and infrastructure – St. Michael's Dr., South Meadows, Railyard, Mutt Nelson Rd., Airport Business District, etc.
- Adequately fund immediate improvements at Santa Fe Airport for the convenience of existing fliers and to enable recruitment of additional carriers and encourage Fly Local.
- The construction industry has been hit hardest by the recession. We support the reduction of impact fees to stimulate the construction industry, GRT, and job creation.
- We support the Mayor's effort to refocus the Santa Fe Homes program to build more workforce housing by waiving fees, simplifying water requirements, and fast-tracking approvals.
- The City can qualify for State of New Mexico LEDA closing funds which are available for suitable projects and should be leveraged.
- Whenever possible, economic development staff should have business experience.
- We believe that improved communications with local and regional economic development partners can help grow the local economy and generate GRT.
- Take steps to attract future retirees with means to Santa Fe. Leverage assets such as low property tax, reasonable home prices, our reputation as a healing and healthcare destination, affordable recreation, arts, climate, and quality of life.

### **Long-term – 3-5 year horizon**

- Lobby at state and federal levels to impose a modest GRT (2%?) on online sales in Santa Fe.
- Advocate and fund the ten year Master Plan for the Santa Fe Airport including the reinforcement of the runway to allow for more frequent large plane landings.
- Expand local "business incubation" resources with a second location/microlab with access to broadband, perhaps at the Railyard.
- Revisit the Railyard Master Plan to ensure the property is economically self-sustainable and working for the benefit of the community-at-large.
- Explore possible partnerships with local institutions such as Santa Fe Institute/LANL/RDC/UNM re: mutual goals for growth and job/career creation.
- Explore best possible options and uses for City-owned land and assets

A growing economy creates tax revenue for local government to provide services and infrastructure for residents, and also creates opportunity to find a career, raise a family, be educated, and enjoy prosperity. Crime and other social problems are directly linked to a lack of opportunity, lack of aspiration, and inability to find meaningful work. Our community must grow, and the City has the opportunity to shape this growth by making smart decisions for the benefit of all.

## **Structural Issues for the City of Santa Fe Budget Review**

City management and operational procedures have developed over decades. Various city planning consultancies are now incorporating more robust analytics for city performance alternatives which help evaluate and implement alternative strategies. These are available to Santa Fe as we consider our options for being a 21<sup>st</sup> Century city. Our focus as a subcommittee was on the larger structural approaches and/or policies which might be adopted as part of a balanced and thoughtful budget review process. Most of the items require significant analysis, perhaps the introduction of new technology, which is beyond the scope of this document but which could impact the bottom line of the City, if not immediately, medium-term.

**Enterprises** – The City appears to use enterprises more extensively than other cities. This may be appropriate, however, to the extent that the enterprise itself is not returning revenue which covers its expenses, the committee focused upon strategies for realigning the relationship, or even divesting part or all of the enterprise and letting the private sector address the mismatch.

**Water Enterprise:** In 2014 there was a \$3.5 million operating loss (revenues do not cover operating expenses). This is contrary to the perception in the public. It is possible that the “more accurate” new metering will increase revenues adequately to address this shortfall however, if not, adjusting rates may be warranted. GRT should not be used to close the deficit, even though it was used to enhance the bond rating.

**Transit Bus System:** The \$8.5 million operating deficit reflects an approximately 10% fare box coverage of expenses. This is unsustainably low. It is possible (probable) that Santa Fe could radically change its transit modalities by incorporating jitneys, share cars, and bike sharing. Would a public-private partnership or a private sector partner be able to improve service (even to tourists) and lower or eliminate the deficit? Ridership numbers should be used to adjust the scope of service to a more balanced level even if profitability can't be achieved.

**Parking:** At this point, the parking revenues barely cover the cost of collecting the parking fees. Other than attempting to maintain short-term parking throughout the central area, operating the parking enterprise almost does not seem justified. Are there less expensive metering approaches? Is this a service that could be “profitably” privatized?

**Environmental Services/Solid Waste:** While marginally profitable on an operating basis, this is an area that is often commercially attractive to companies who are experts in the management of both recyclable and disposable waste. Ongoing evaluation of privatization options is warranted.

**Railyard Property:** The possibility of selling this asset has been addressed in another section. Long-term public commitments can be accomplished through deed restrictions and access to financing may be enhanced if the land and buildings are not owned separately.

**Overhead:** Management overhead in the City is estimated at 10%. Even if only one-half of that burden could be eliminated in the event of privatization, there should be some expectation of savings associated with paring down the government -run enterprises.

### **Other Structural Considerations:**

**Funds:** Radically reducing the use of special funds within the operations would help transparency and cash management, and should improve budgetary controls. The acquisition and installation of the new



Internal "banking"	\$2.0	\$4.0	
Salaries Wages and Benefits	\$1	\$3	Based on a 1-3% reduction in salaries and benefits
GRT Collection	\$4.95	\$9.9	
Lodgers Tax	\$1.2	\$1.8	
Other general efficiencies	\$2.0	\$4.0	Collection of overhead reduction due to privatization and potential City-County merged efficiencies.
<b>Total</b>	<b>\$16.65</b>	<b>\$32.7</b>	

## Useful Resources

University of Pittsburg – Fiscal Policy and Governance Report

<http://www.iop.pitt.edu/documents/Key%20Challenges%20and%20Strategies%20for%20Local%20Governments.pdf>

United States Environmental Protection Agency Guide to Smart Growth

<http://www.epa.gov/sites/production/files/2014-06/documents/sg-and-economic-success-for-governments.pdf>

Santa Fe Chamber of Commerce list of local statistical analyses and reports

<https://santafenmcoc.wlinc24.com/news/newsarticledisplay.aspx?ArticleID=209>

**Thank you to the committee members (and unnamed others) who devoted hours, experience and wisdom in support of this project:**

Carl Luff – White and Luff Financial

Charlie Goodman - Kokopelli Property Management

Colin Keegan – Santa Fe Spirits

Ellen Marshall – Marshall Rose and Assoc.

Jeff Gruber – J N Gruber Group

Justin Greene – Dashing Delivery

Kim Shanahan – Santa Fe Area Homebuilders Assoc.

Liz Serendip – Southwestern Title and Escrow

Marc Tupler – Santa Fe Trust

Pat Murray – First National Santa Fe

Richard Robinson – CPA

Rick Berardinelli - Berardinelli Funeral Services

Tory Bloodworth – First National Santa Fe

Wayne Nichols – Nichols Agency

OpenGov.com platform is commendable and may also assist in streamlining the use of funds to “carry-over” allocations that have not been budgeted in succeeding years.

**Internal Debt Management:** Finding ways that the City can fund more of its own debt needs in an effort to reduce the negative interest margin reflected in the substantial amount of invested cash. Even if just \$100 million of the City’s cash were used to pay down existing bonds or fund new projects in lieu of external debt, the savings could be \$2-3 million per year, just in the spread between the City’s cash investment rates and borrowing rates.

**Training:** Using outside support to train staff (and citizens) on the “best practices” will be necessary as “business as usual” is replaced by best practices. Specifically, seek professional support for the Finance Committee/Council which can provide recommendations and guidance on financial policy, practices, and ongoing operations.

**Public – Private Partnerships:** To the extent possible (and perhaps with an expert on the Anti-Donation Laws of New Mexico), consider ways to use Tax Increment Financing, crowd funding, and City-owned property to accelerate or instigate strategic objectives of the City without putting additional pressure on the budget.

**GRT vs. Other Taxation:** The GRT is inherently regressive and corresponds with the economic cycles, exacerbating the City’s finances precisely when the City needs to invest more in the community. Increasing alternative taxation should be done in conjunction with lowering the GRT burden in order not to stifle economic activity.

**Regional Efficiencies:** Wherever possible look for efficiencies that can be obtained through City-County collaboration or even merging of certain services or functions. San Francisco, Denver, and Sitka are examples, among many others, where substantial consolidation has been used to help rationalize overlapping jurisdictions. In some instances both the powers of a City and County have been maintained.

### Potential Medium to Long- Term Annual Budget Impacts:

In general these estimates are little more than wild guesses of the potential budgetary impact, however, they reflect a possible dollar range benefit of these recommendations. We hope there will be a further discussion on many of the points contained within this report. We support City Leadership in their pursuit to balance city finances. In doing so we hope Santa Fe will also seize the opportunity to structurally alter the service business relationship at the City in a way that better serve the constituents in addition to mitigating the budget shortfalls.

Recommendations	Est. Budget Improvements (\$ millions)		Comments
	Low	High	
Water Revenues	\$2.0	\$4.0	
Transit Transformation	\$3.0	\$5.0	This recognizes that most municipalities subsidize transit, but helps balance the burden.
Parking Privatization	\$5	\$1.0	