



Agenda

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ALL MEMBERS OF THE GOVERNING BODY HAVE BEEN INVITED TO ATTEND THIS MEETING

**SPECIAL FINANCE COMMITTEE MEETING
NOVEMBER 17, 2008
5:15 P.M.
CITY COUNCIL CHAMBERS**

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. DISCUSSION ON PLANNED BUDGET CONTROL ACTIONS AND REVIEW OF FISCAL YEAR 2008/2009 BUDGET STATUS (DAVID MILLICAN)
5. REQUEST FOR APPROVAL OF A RESOLUTION TAKING CERTAIN AND IMMEDIATE ACTIONS TO SAFEGUARD CITY FINANCES AND REQUESTING FOLLOW-UP ACTIONS TO ENSURE CITY FINANCIAL STABILITY (COUNCILORS ORTIZ, BUSHEE AND WURZBURGER) (DAVID MILLICAN)
6. REQUEST FOR APPROVAL OF A RESOLUTION DIRECTING THE CITY MANAGER TO TAKE CERTAIN ACTIONS TO MOVE OUR ECONOMY FORWARD AND PROVIDE JOBS FOR OUR CITIZENS; AND ENCOURAGING OUR CONGRESSIONAL REPRESENTATIVES AND OUR PRESIDENT TO ACT QUICKLY TO INVEST IN THE REAL ECONOMICS OF OUR CITIES IN PARTNERSHIP WITH CITIES AROUND THE COUNTRY BY FULLY FUNDING THE MAIN STREET STIMULUS PACKAGE (MAYOR COSS) (COUNCILOR WURZBURGER) (ROBERT ROMERO)
7. OTHER FINANCIAL INFORMATION
8. ADJOURN

Interpreter for hearing impaired is available through City Clerk's Office upon 5 days notice.

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SPECIAL FINANCE COMMITTEE
Monday, November 17, 2008**

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**MINUTES OF THE
CITY OF SANTA FE
SPECIAL FINANCE COMMITTEE
Monday, November 17, 2008**

1. CALL TO ORDER

A special meeting of the City of Santa Fe Finance Committee was called to order by Chair Matthew Ortiz, at approximately 5:15 p.m., on Monday, November 3, 2008, in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:

Councilor Matthew E. Ortiz, Chair
Councilor Christopher Calvert
Councilor Carmichael A. Dominguez
Councilor Rebecca Wurzbarger

MEMBERS EXCUSED:

Councilor Miguel Chavez

OTHER COUNCILORS ATTENDING:

Councilor Rosemary Romero
Councilor Ronald S. Trujillo
Councilor Patti J. Bushee

OTHERS ATTENDING:

Galen Buller, City Manager
David Millican, Finance Director
Yolanda Green, Finance Division
Melessia Helberg, Stenographer.

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

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

3. APPROVAL OF AGENDA

Mr. Milligan suggested moving Item #7 before Item #4, to be the first item to be discussed.

MOTION: Councilor Wurzbarger moved, seconded by Councilor Calvert, to approve the agenda, as amended.

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

7. OTHER FINANCIAL INFORMATION:

A copy of "City of Santa Fe Total Gross Receipts Taxes Collected July 2001 through June 2009," is incorporated herewith to these minutes as Exhibit "1."

A copy of "City of Santa Fe Lodgers' Cash Report for the Month of October 2008," is incorporated herewith to these minutes as Exhibit "2."

Mr. Millican said the GRT report is for September 2008, which represents the beginning of a whole series of bad news from the financial market which could start to affect spending patterns. He said the GRTs are down 2.8% from the prior year, and year to date is down .02% from last year. He said the amount budgeted is higher than what was collected which is \$1.5 million or 2%.

Mr. Milligan said the Lodger's tax figures are strange because we get different numbers depending on which properties file in the month. Last month there was a 34% increase, and there is a 34% decrease in this month as opposed to the same month last year. He said the year to date receipts are down about 2.5% from last year. He said staff plans to do some improvements in reporting and tying the cash receipts for which the return is filed in order to get better information.

Chair Ortiz then this report is for the Lodger's Tax paid for September, and would include payments for the Indian Market.

Mr. Millican said he is hearing that October and November are tough months, so trend generally isn't good.

4. DISCUSSION ON PLANNED BUDGET CONTROL ACTIONS AND REVIEW OF FISCAL YEAR 2008/2009 BUDGET STATUS. (DAVID MILLICAN)

Galen Buller thanked the staff persons who put together the package for this meeting.

Mr. Buller and Mr. Millican presented information regarding this matter via a power point presentation. The text of this presentation is included in the Committee packet. Please see the packet for specifics of this presentation.

Mr. Buller, Mr. Millican and the Committee commented and asked questions as follows:

- Mr. Buller said staff is not recommending a hard freeze tonight, because sometimes it doesn't

address where the deficiencies are in the budget. For example, freezes could impact utilities which aren't supported by GRT and are supported by rates. Another area could be positions in public safety that the Council doesn't want subject to a hard freeze. They are also working on overtime and furloughs. All departments are looking at operating more efficiently, and some found success, others still working on it.

- Mr. Buller said if there is thought that this temporary and we will bounce back in a reasonable time, the Council might think about a bridging strategy. The bridging would engage in the things in the Action Plan just discussed. If it appears the problem will be more prolonged, deeper and wider than first predicted, then we look at a transition plan and eventually at a restructuring plan. Given the news today on the GRTs and what we hear, staff feels we should move into a transition plan and start looking at the 2009-2010 budget now, and ways we can move toward structuring, but at least be positioned for transition.
- Councilor Dominguez noted on page 5 of the slides, it talks about collaboration with union leadership and solutions, and asked if Mr. Buller is talking about renegotiation. Mr. Buller said he is talking about informal discussions. Councilor Dominguez asked if there are plans to expand that to all employees as well as the union leadership, commenting that he believes there are ways to identify efficiencies savings and efficiencies at all levels. Mr. Buller said it will involve all employees, as well as a number of stakeholders in the community which will be important in that discussion.
- Councilor Dominguez, referring to page 5, asked if the review of fees, charges, permits and fines means reviewing the revenues generated or recommending potential increases, or a combination of both. Mr. Buller said it is a combination of both. Councilor Dominguez asked if he has this outlined and prepared. Mr. Buller said no, but this is a process he would see taking place between tonight and the mid-year review.
- Councilor Dominguez referred to the bullet regarding restructuring and finding efficiencies, saying he has the Memorandum which was provided at the last budget cycle, where the Finance Committee anticipated some of this, and wanted that restructuring and potential efficiencies to be identified sooner rather than later. There is specific direction in the Memorandum about making sure the efficiencies which are reviewed and analyzed are brought forward to the Finance Committee. He asked Mr. Buller which departments have done that. Mr. Buller said he has asked every department to prepare to give a report to the Finance Committee over the next two months, saying it would be too much for one meeting. Councilor Dominguez asked who is prepared now, reiterating this direction was given in May. Mr. Buller didn't anticipate those being given tonight, but people are prepared to do so.
- Councilor Bushee noted it says "Use reserves for service continuity," and she wants a better explanation. Mr. Millican said a bridging strategy tries to preserve the current service level and mix until revenues recover. He said a transitional strategy acknowledges that there will be a lower level of revenue for an extended period of time [1 to 1½ years]. He said reserves are used in a bridging strategy to keep the same service level going because you expect to recover. If you

don't, then the reserves need to be used to think through, very carefully, how to do the reduction and how services relate to one another to avoid a lot of unintended consequences.

- Councilor Bushee asked Mr. Millican if we are beyond bridging and if we are into a transitional economy. Mr. Millican said, as Mr. Buller said, we will use bridging strategies for the next 6-7 months. However, based on what they see, we need to be ready for transitional changes starting in 2010 and extending through the next fiscal year.
- Councilor Bushee said we have been told not to touch reserves, because those kept our bonding capacity strong. Mr. Millican said the General fund reserves aren't necessarily used to support the bonds, and the bonds are supported by special purpose GRTs. His experience with reserves, in dealing with economic downturns, is that you have to be able to use the reserves, unless you are willing to take things apart in an urgent way which can cause unintended consequences. He spoke of his experience with a City in California which resulted in a continuous reduction of employees which involved very careful analysis of the cutbacks. His experience is that being careful with cutbacks and using reserves is a much more effective sustainable strategy. In that case, they used reserves and were able to replenish the reserves.
- Councilor Bushee said a bridging strategy would be used when we have the huge cyclical changes in the State's reporting of the GRT. She does see this as more of a steady decline, although we won't be "batted about," as at the national level. She said caution is good, but she wants to be sure we are headed in the right direction at a steady pace of looking at efficiencies and not really counting on the reserves.
- Mr. Millican staff wants to lay out strategies which provides a scalable solution where, as it gets worse, we can employ more and different tools. He said her point about reserves is important, noting the state requires reserves of 1/12 of the budget. In an economic downturn we need reserves we can use and replenish over a period of years for very specific and targeted purposes, saying he understands her concern.
- Councilor Bushee said she isn't saying to put everything in the mix, and she doesn't say we're sharpening our knives to cut away, and that will be a selective process. We have had an expansionist mentality which needs to be reversed.
- Councilor Romero asked what the enterprise funds are, and which ones are being evaluated to look at differently. Mr. Millican said they are focusing on those which are not considered self-supporting and need a subsidy: the MRC, Railyard, GCCC. He said, with regard to internal accounts, the City is self-insured for health insurance, so if experience doesn't match the budget, the City is exposed to the potential that our risk management reserves might be insufficient, and would require resources from the General Fund that already is under stress.
- Mr. Millican said the accounting manager, during the audit, noted that \$400,000 of previously accrued unemployment costs was set aside for possible unemployment claims when the City self-insured itself, and those funds are no longer needed for that purpose and can be returned to the

funds. He said in closing bond funds, we will find additional funds which can be used.. The City has been conservative about using GRT Capital Improvements funds strictly for construction, but recently has been using some of those proceeds for operation and maintenance such as for the Southside Library or the GCCC subsidy. The Council can make policy decisions to give itself more discretion in directing resources.

- Mr. Millican said if we don't make changes we will consume \$4.8 million in cash, going from a beginning General Fund cash balance of \$20 million to cash balance of \$15 million.
- Mr. Millican said the City has been conservative about property tax, and most of the property tax paid in the area is for schools and the County. If the GRT shrinks we don't have other big sources to make up the shortfall.
- Mr. Millican said we are at the front end of something we have not see before. Most of the private economists see growth in second half of 2009, others say it could be worse. He said we need a strategy to use which can be expanded and changed as information becomes available. So, we would move from the staff recommended bridging strategy in place for the rest of the year to a transition strategy. This means we need to be prepared for a reduction of 10%. He said bridging strategies are easy – postpone, defer, hold vacancies – with the idea that it will be reversed when things get better. If you have to go deeper than 10% cuts, it is necessary to answer some of the really difficult questions about its services which requires time and addresses bigger and longer term issues. Mr. Millican said as staff gathers information we will make recommendations, depending on the financial situation.

Discussion

The Councilors commented, asked questions and staff responded as follows:

- ★ Chair Ortiz asked what kind of financial situation are we looking at, and what is staff's position. Mr. Millican said we are looking at planning seriously, starting immediately, for a transition reduction of 10% for 2010 and subsequent years. He said in the spring with more information, if we look at possible dislocation of services, we may need to look at how the Council wants to engage the community in the discussion on the service change.
- ★ Chair Ortiz said that is for next fiscal year, and asked staffs' recommendation and the administration's standpoint on the strategy for this fiscal year. He said in the best case scenario, we're \$2 million short. Mr. Millican said staff's recommendation is to bridge during the transition to a 10% cut for the next fiscal year, and to be ready to go deeper if necessary. He said an important point is that they don't think just the bridging strategy will erase the \$5 million difference between revenue and expenditures, but thinks we can get half of that. He said we can't keep spending \$2.5 million more than we're taking in, unless we're headed to a new, lower level of expenditures. Mr. Milligan reiterated that bridging strategies are temporary, easily reversed, don't have large impacts on service mix and level. Transitional strategies start to put pressure, and 10% is easier to achieve. If over 10%, you may start talking about significant reductions in workforce, lots of

things that are difficult, and significant service effects. He said we don't want to go there until we absolutely know we have to go there, because putting that back together is much more difficult.

Councilor Wurzbarger said the most important policy work is to make a decision as a body as to where we think we are. She is concerned when people use such words as "if this happens." Two years ago we hired BBER and we discussed that Santa Fe can't be immune to what was happening elsewhere. She said Santa Fe is being slammed with things outside our control. She is uncomfortable with starting with an assumption at the Council that we are at bridging. She wants to be at bridging for a very, very short time, and not between now and June. She said we need a more quick move to the transition, and to be very thoughtful about this, and we can't go forward with "here's six things we can do right now." She believes we have to look at this in the context of making the change in terms of any policies we're promoting in the next 1-2 months. She doesn't think it will be flat for the next 6-18 months. She thinks we need to be more conservative than at anytime during her time on the Council. She thinks we need to develop a consensus of how to proceed. She doesn't want to find out in 6 months that we were very wrong on this bridging. She thinks the assumptions we make are much more important than jumping to the tactics that we're going to use if they're based on the wrong assumptions.

Chair Ortiz said if we go with the assumption that Santa Fe is in a flat economy, two of the action points presented by staff don't make sense, and pointed to two of those. He said we have been in an expansionist mode and the specific response has been to raise fees, raise rates and the cost of doing business. He said this has an effect we are seeing in the Land Use Department. He said, referring to the slides, permit revenues are projected to be 30% under the budget which presumed the new rate increases. He said automatically we have a 30% shortfall in that Department to accommodate. He said we can accommodate that by another increase in fees, or we have to start reducing costs in that department right now.

Chair Ortiz said one of the proposals is "allocating indirect costs to reduce subsidies to other funds." This means that we will be taking more and more money as a percentage from enterprise funds – water, wastewater and solid waste – and using them to buttress the General Fund, something we have been doing for years. This proposal to increase those costs will put rate pressure on those funds, and right now we're seeing rate increase proposals in all of those funds to be directly paid by the citizens.

Chair Ortiz said we have a spiraling problem we seem not to address. In saying we are going to take these incrementalist approaches to our budget issues, we are saying we will try and wait out these uncertain times. He doesn't think we are in a place where we can get to the end of this fiscal at what we budgeted. The staff approach recommended is to use our cash reserves for service continuity – to cover our shortfalls in the current fiscal year. He said perhaps we could take a more proactive approach and require every department to reduce its expenditures by 10% to get the savings to cover this fiscal year, assuming that we are in a flat economy situation. He doesn't know we can project that.

Chair Ortiz said we need to decide what direction to give to staff, saying the staff has done a great job in identifying some of the glitches. It is incumbent on us to decide whether to use cash reserves to cover the budget and move forward as recommended by staff, or to do something else which will require very hard and sobering discussions with constituent groups within the City and outside the City. The

decision before us is how to deal with the shortfall now. We need to be clear about any decision we make. He said this report is not bad, but it's not good. He is concerned about the gross receipts which we received which include the Indian Market. He believes the City will be "in a world of hurt" by February. He believes we need to move past the bridging into the transition right now. He said we need to decide how to do it.

- ★ Councilor Bushee, referring to the strategies on page 6, asked the difference between the bridging 10% and the transition 10%. Mr. Millican explained that in one case you are dipping and expecting to come back, or you see a specific recovery from an event. He said if you think revenues will be less than expenditures for more than 18-24 months, you need to resize the organization. Councilor Bushee said on page 6, under the 2010 Transition Play, you say "showing between 5 and 10% cuts." She asked if he is recommending 10% across the board and that those be permanent. Mr. Millican said the process of planning gives more options than you might otherwise have.
- ★ Councilor Bushee said this could all fall apart if we get into the specifics of the resolutions before us. She expects this evening's decisions/direction from the Council to indicate the short term strategy but we haven't done the long term strategies. She heard Mr. Millican mention property taxes to be considered to diversify of our compete reliance on GRTs. She said although our housing situation isn't as drastic as that on the national level, this may not be something for the immediate future. She also heard Mr. Millican say we can rely on Capital Improvement funds for operation and maintenance. She said we have always been directed away from doing that for any ongoing General Fund monies. Mr. Millican said these definitely are policies the Council should consider as a policy decision. He said during the budget just adopted, funds were drawn from the CIP GRT to operate the Southside Library which was built with the CIP funds. He hasn't had a chance to look at what that level should be. He said during hard times, some maintenance and many capital projects can be deferred, and a five-year plan can show how to use these resources while you are down, while continuing to look at opportunities to return to the preferred policy.
- ★ Councilor Bushee wants more detail on some of the initial slide recommendations. She agrees with Councilor Ortiz and said she opposed the land use rate increases because she didn't think those would be sustainable in this economy. She commented on the proposal to "develop economic development investment plan for tourism and local business support," and asked, if we're in a shortfall situation, how we can use our current assets to generate more funds. Mr. Millican said staff has noted additional Lodgers' Tax funds will be freed with the completion of the Community Center, but there are no ongoing higher level funds. He said the solution has to be balanced – expenditure controls and we may have to consider revenue increases. He said because of personnel costs and spread, the size of reduction could be big if the drop gets more serious.
- ★ Councilor Bushee said we will continue to rely on staff to provide the Council with forecasts, models and indicate the urgency. However, the Council needs to transition our mind set. She said everybody has a good idea of what will bring a revenue stream into the community and they always turn to the City. She said over the past two years several Councilors have felt we needed to start shifting that mentality. We need to begin to send the message to the community that

services may get pared down so that the City only provides essential services for a period of time.

- ★ Councilor Dominguez agreed with Councilor Bushee. He said direction was given to staff six months ago. He wants to start there and get the information on potential efficiencies and savings. He pointed out that this Committee has been thinking in these terms for some time, and the Chair has requested this information throughout the past six months. He wants that information sooner rather than later. He asked what is meant by personnel services, and he would like to know the number of administrative staff in each department. He hasn't seen this analysis. Mr. Millican said staff is talking about the salaries and benefits of employees who are permanent, part time, seasonal and temporary. He said staff prepared some information to assist in determining the impact of some of the resolutions. He said many of these costs aren't in the General Fund, especially in removing Public Safety from the mix. He said the preponderance of the personnel costs of the City, excluding Public Safety, really fall outside the General Fund. He said a plan to affect the General Fund will have consequences for the rest of the employees, or we'll have to develop a focused way of dealing with that with the Labor Unions and the Departments.
- ★ Councilor Dominguez said in some ways this organization is going through the same thing as schools in dealing with the unfunded mandates. He asked if there have been any discussions about what we can do together to get cost savings, such as buying in bulk together. He requested that be investigated to see what happens. Mr. Buller said he hasn't has any discussions, but that is a good idea and he will look into it.
- ★ Councilor Calvert wants to be sure that we don't do an "across the board" approach to cuts, and we need to look tactically and strategically to avoid unintended consequences. He said we may want to increase spending in certain areas to help stimulate the economy. He said we need to look at an overall 10% reduction, but we need to be selective on where to make those cuts.
- ★ Councilor Wurzbarger said she is tracking a proposal from the Committee and Councilors this evening to move toward transition, but in the short term we are staying status quo and looking at ways that we can bridge. She said, "It seems to me that we have to decide are we going to do that. Are we going to relook at how to cut back things now, so we don't have the \$2 million to the \$4 million. And that gets to personnel, that's not a jolly topic, right. And that gets to the raise issue of the 4%. Or, are we just going to say, nope. We're going to say because of a lot of reasons that are real, in terms of morale, in terms of service, in terms of commitment, of the commitment in terms of the 4% that was made based on having the money, which I considered to be the GRT money. I want to deal with that with youall. I don't think it's something that we can say, unless we're just walking out of this room and saying, fine, we're going to take the staff solution with respect to saying the reserves will cover it, and we're not going to worry about that, because next year we think the reserves will be better. When we're talking about 'if', let's do the 'if' its going down rather than flat. When next year, we have a worse situation for which to use the reserve. I don't know if we're going to closure on this meeting, and I'm really uncomfortable with closure on this meeting because we jumped to the transition plan, but.. What do we do the next six months. I'm not talking about doing this resolution, that resolution, but what about policy position with respect to that absolute gap that we have."

- ★ Councilor Romero said in times of crisis we call on our experiences, personally and professionally, and the lessons we have learned. She stressed that we need to look at things fairly and equitably, and communicate regularly with the public. She said there are assumptions about loss of GRTs and we jump to a panic mode. She said the Councilors know how serious this situation is. She said have been giving a lot in our services. She urged the Council to prioritize the things which are important, and wholeheartedly agrees we need to do something in the short term. She said long term planning is five years which is something new. She wants to take the high road with regard to how we do our cuts.
- ★ Councilor Bushee asked what is the shortfall. Mr. Millican said with the revenue estimate adjusted downward and the spending plan in place, we would spend \$5 million more than what we take in this year. He believes this can be cut in half with the identified reductions, so \$2.5 million would have to come from reserves to finance the transition. He said we will find one-time capital expenditures which can be used for the transition.
- ★ Councilor Bushee said she didn't hear anyone say bridge, but she heard people say transition. She thought she heard we should start "yesterday." Mr. Millican said staff expectation is to begin with the bridging strategy and start to work on the transition plan for 2009-2010 and subsequent years. He said staff plans to be before this Committee and the Council with a briefing on the transitional plan at the mid-year review at the beginning of February 2009. He said in the interim staff will be working on a transition plan for 2010.
- ★ Councilor Bushee reiterated that she heard no one say to fund the shortfall from reserves. She heard the Councilors say find ways to cut and get back with us. She said she will be unhappy to see \$600,000 taken from the General Fund for Cops in the Parks Program, which shouldn't be started now, especially in evaluating how many positions in the Police Department. She believes staff could sit with Chair Ortiz and find \$2.5 million easily without going into reserves.
- ★ Chair Ortiz said this is not the plan being put forward by the administration.
- ★ Councilor Bushee said these are her suggestions for this Committee, commenting she will vote on this when it comes to Council. She believes we need to be very selective with any kinds of personnel cuts, and to be very clear about what is non-essential, what is being cut and why. She said we don't need any new programs we do not have the resources to sustain. She said she won't support funding the shortfall from reserves, noting she supported putting all of the windfall in the reserves. She doesn't want to bridge our way to a crisis which is larger than we anticipate. She doesn't under the hesitation to look for ways to cut funds now.
- ★ Chair Ortiz asked staff the detriments, the down side to going through an extreme budget cutting mode now. Mr. Millican said these are all valid points. He said, in developing strategies, he didn't think of undoing decisions already made by the Council, except to the extent they impacted future revenue availability. It would be possible as part of the resiliency review to look at a series of projects the Council may have approved, but not yet launched, where the Council might want to rethink its approval. Councilor Bushee said the Council approves things in concept and ask staff to

come back with the efficient way to do things. If the money or efficient way to do it isn't there, then jettison it. Mr. Millican said staff can identify those and bring them to the Committee and Council for its review. This is certainly a valid strategy and response.

Chair Ortiz said there is a Finance Committee meeting in early December, and the Committee is open to continuing these discussions further. He said he didn't hear that we are all supportive of the bridging strategies as proposed by the administrations. He said in this fiscal year, ultimately we will be looking to cut \$2.5 to \$5 million. This is the reality, and it is foolhardy to believe that in making these kinds of cuts, that personnel matters are not fair game. He said essentially we are taking a pass on the 4% pay increase this year and we wouldn't touch those under the administration's proposal. He said this is using of cash reserves for service continuity. The assumption is that we're not touching staff in terms of the pay increases or in terms of cuts. He said we can challenge that assumption, and we could direct a different assumption. He said this plan proposes facing this over time to get us to the new fiscal year, or if you believe differently, we are facing this now and need to take steps now to do this. He said the staff needs to hear a definitive answer from the Committee and the degree of concern we want to apply.

Chair Ortiz said we need a consensus so we can have staff working toward our position. He said we can certainly do that, but we definitely need a definitive answer by mid-year.

Mr. Buller said if it takes until next week to come up with the transition plan, we are bridging during that week and we are drawing from reserves. The question is do you want to right move now, in a day or a week, or move more slowly and draw down the reserves a little more.

Councilor Bushee said she never wanted to draw down the reserves.

Mr. Buller said a portion of the \$2.5 million shortfall will, initially, come from the 10% reduction from each department. He said, for example, the \$600,000 may be that department's contribution to the 10% reduction.

Councilor Bushee said, "Not if you find it first and say this is how I make up my \$2.5 million now."

Mr. Buller said they can strip everything out and then ask for cuts after that, but it gets harder.

Councilor Bushee said she is confident that Mr. Buller and Mr. Millican can come up with a stop-gap measure without dipping into reserves. She believes Councilor Ortiz would like to help with this. She would like to have a special meeting with the Economic Development staff, Keith Toler and the "whole gang" there to talk about their strategies in terms of stimulating the economy. She wants to do this sooner, rather than later, and she doesn't think you'll live on reserves. She said she expected a little more detail this evening, and how we were going to do this

Councilor Wurzbarger said we did hear how we were going to do this tonight, and we are questioning that.

Councilor Dominguez said he believes we were bridging six months ago. He said he also is

looking for more detail now in terms of efficiencies. He agrees that we need to move into transition right now, and he doesn't like using reserves. He believes we need to be very careful about what cuts are being proposed. He doesn't want to cut a position which will generate revenue. He believes we need more detail. However, he doesn't think we need to think about cutting salaries right now. He said with the low morale, that would dig the knife deeper and hurt more. He believes we need to stay away from that for this current fiscal year and have tough discussions about our priorities. He believes we are bordering on restructuring, and we can work on the restructure in the next fiscal year.

Councilor Wurzbarger agreed, saying we have to look at both sides. She said the worse strategy would be not to do capital projects, because these bring money. She believes we need to back off and look at what we can do to increase GRTs. She said this isn't a tourism problem and people are still traveling in the United States and that brings money, and we can't close that down. She is concerned about using the reserves in a downturn economy. She believes we are setting ourselves up for a very scary scenario, but hopes she is wrong. She is happy to meet next week or whenever.

Councilor Calvert said all of us want more specifics. We have some notion of what we mean individually, but we don't know what everybody else means. He wants staff to come back with a range of choices with specifics as to what you are talking about in these various scenarios, so we can determine where we want to make cuts and how quickly we want to do it. He believes we are in a serious situation which doesn't look good in the short term and could go on longer.

Councilor Dominguez would like for the City Manager to have a discussion with every employee level as to what they think we can do to save money, and they may be able to come up with interesting ideas.

Chair Ortiz said one of the proposals is to form an ad hoc team. He said because we've negotiated multi-year contracts with the bargaining units, we are in a position, under this plan, this year or next year, of having to reopen those contracts. He said we have to renegotiate the 4% increase we locked-in and guaranteed to the bargaining units. He can see no other way of continuing to pretend that we have a 4% increase budgeted for this year and next year for those two bargaining units, in particular. This needs to happen sooner, rather than later. The legal mechanism for how that happens will be contingent on the city Attorney and City Manager working that out. He understands the Firefighter contract is open next year, so it isn't an issue with the Firefighters. He noted this is coming for the non-union employees as well.

Chair Ortiz said he is looking for a chart which says, if we take all of these actions, here is the expected gain, and the options we can choose, and the recommendations from staff. He said perhaps you think one department can survive with a 3% decrease, while another needs a 15-20% decrease. These are the things we want to see so we can see the numbers and make a decision. He said we need to see the proposed contributions from cash reserves as this moves forwards. He said many proposals we will consider are those we've already approved and are in the budget. It is a matter of deciding how fast we will take those programs off the shelf.

Councilor Wurzbarger said she doesn't believe we are saying to give direction to staff to do this

with the use of the reserves. Or, staff could present another option which uses the reserves. She thought the consensus among the Councilors in attendance is to start the process without the option of using reserves.

Chair Ortiz said he heard loud and clear that we don't want to touch cash reserves. However, we owe the courtesy to staff to show that on paper so we can see those numbers, as well as to see the other options and make that decision by comparing one column to another.

Councilor Ortiz said we can continue this discussion at the Finance Committee meeting on December 1, 2008, and continue discussion of these items. He asked if this would give staff enough time.

Mr. Millican said the December 1st agenda deadline is tonight, but staff can work next week to do a presentation, but developing the data between now and the 1st will be challenging, noting that is the day after the Thanksgiving holiday. He said, for example seeking employee opinion is a larger process. He said staff can look at a number of Council decisions which have not been fully implemented.

Chair Ortiz said they can talk to the bargaining unit representatives who have a list of 3-5 points and open that up. He said staff could send an email to all employees asking for their top 3 suggestions for efficiencies and the budget amount.

Councilor Bushee would like to have the actual numbers at that meeting as if we weren't going to make budget, including Council initiatives or other things which can be done.

Chair Ortiz said the public financing of campaigns comes on line in 2010, and that hasn't been budgeted. He said Albuquerque doesn't have the funds to do their public financing scheme. He said the Mayor's Committee hasn't suggested a scheme, nor have we developed a source of funds, nor do we know the dollar amount for publicly financed campaigns. He said we have to account for that in the next fiscal year.

Councilor Bushee said once we have that list, it is our responsibility to prioritize.

Mr. Millican said currently he is in the process of the annual audit in finance, as well as having a new software system implementation in full swing with a go live date at the end of December, so staff resources will be somewhat limited. He said he is most likely to be able to look for alternatives which erase the need to use reserves.

Chair Ortiz said we need to address the budget shortfall now, noting all of the members in attendance do not want to see any use of cash reserves, which is to do the proposed cuts in this fiscal year.

Mr. Buller said we also can have reports from department directors on efficiencies and where they think cuts would fit within their departments.

Chair Ortiz noted this Committee recommended finding those efficiencies in June.

MOTION: Councilor Wurzburger moved, seconded by Councilor Calvert, to postpone items #5 and #6 to the next meeting, and authorize the Director of Finance to publish an agenda for the next meeting of the Committee on December 1, 2008, which includes Items #4, #5, #6 and #7 for possible action.

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

5. **REQUEST FOR APPROVAL OF A RESOLUTION TAKING CERTAIN AND IMMEDIATE ACTIONS TO SAFEGUARD CITY FINANCES AND REQUESTING FOLLOW-UP ACTIONS TO ENSURE CITY FINANCIAL STABILITY (COUNCILORS ORTIZ, BUSHEE AND WURZBURGER). (DAVID MILLICAN)**

This item was postponed to the meeting of December 1, 2008.

6. **REQUEST FOR APPROVAL OF A RESOLUTION DIRECTING THE CITY MANAGER TO TAKE CERTAIN ACTIONS TO MOVE OUR ECONOMY FORWARD AND PROVIDE JOBS FOR OUR CITIZENS; AND ENCOURAGING OUR CONGRESSIONAL REPRESENTATIVES AND OUR PRESIDENT TO ACT QUICKLY TO INVEST IN THE REAL ECONOMICS OF OUR CITIES IN PARTNERSHIP WITH CITIES AROUND THE COUNTRY BY FULLY FUNDING THE MAIN STREET STIMULUS PACKAGE (MAYOR COSS AND COUNCILOR WURZBURGER). (ROBERT ROMERO)**

This item was postponed to the meeting of December 1, 2008.

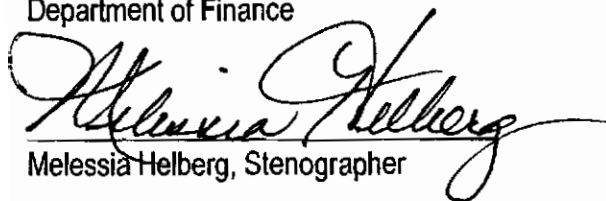
8. **ADJOURN**

There was no further business to come before the Committee, and the Committee having completed its Agenda, adjourned the meeting at approximately 7:10 p.m.

Matthew E. Ortiz, Chair

Reviewed by:

David N. Millican, Director
Department of Finance


Melessia Helberg, Stenographer