



Agenda

**CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
WEDNESDAY, JUNE 5, 2019
2:00 P.M. – 4:00 P.M.**

AGENDA

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. APPROVAL OF AGENDA**
- 4. APPROVAL OF AUDIT COMMITTEE MINUTES**
May 15, 2019 Meeting
- 5. NEW BUSINESS**
 - Progress report on Procurement Audit – John F. Olenberger, CPA, Colorado Independent Consultants Network, LLC
 - Presentation – Public Utilities Department Director – Shannon Jones
- 6. OLD BUSINESS**
 - Continue discussion on 2019-2020 risk assessment approved by audit committee – 3 year plan
- 7. PUBLIC COMMENT**
- 8. MATTERS FROM STAFF**
- 9. MATTERS FROM COMMITTEE**
- 10. NEXT MEETING DATE – To be determined**
- 11. ADJOURNMENT**

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<p>RECEIVED AT THE CITY CLERK'S OFFICE DATE: <u>May 29, 2019</u> TIME: <u>1:30 PM</u></p>
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CITY OF SANTA FE AUDIT COMMITTEE
June 5, 2019

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**MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE**

June 5, 2019
2:00 p.m. – 4:00 p.m.

1. CALL TO ORDER

A regular meeting of the City of Santa Fé Audit Committee was called to order by Member Stephanie Woodruff, Chair, on this date at approximately 2:00 p.m. in the Convention Center Administrative Conference Room, Santa Fé, New Mexico.

2. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:

Stephanie Woodruff, Chair
Al Castillo
Mary Ellen Erpelding-Chacón
Paul Margetson

Members Absent:

Cristina Mulcahy [excused]

Staff Attending

Christina Keyes, Treasurer Officer
Mary McCoy, Finance Director.
Brad Fluetsch, Finance Planning and Reporting Manager

Others Attending:

Shannon Jones, Public Utilities Division Director
Carl Boaz, Stenographer

3. APPROVAL OF AGENDA

MOTION: Member Castillo moved, seconded by Member Margetson, to approve the agenda as presented.

VOTE The motion was approved on a unanimous (4-0) voice vote.

4. APPROVAL OF MINUTES:

a. May 15, 2019

Member Margetson said he did not second the motion on page 3 to approve the April 3, 2019 minutes. It was Member Erpelding-Chacón.

MOTION: Member Castillo moved, seconded by Member Erpelding-Chacón, to approve the May 15, 2019 minutes as amended.

VOTE: The motion was approved on a unanimous (4-0) voice vote.

5. NEW BUSINESS

a. Progress report on Procurement Audit – John F. Olenberger, CPA, Colorado Independent Consultants Network, LLC

Mr. Olenberger was not present in person or by telephone.

Director McCoy reported they have not made much progress on it.

The report was postponed to next month.

b. Presentation – Public Utilities Division Director – Shannon Jones

Director Jones handed out an org chart for Public Utilities and said the Admin section in lighter blue was his core team. The Procurement Officer is also an assistant with Procurement Division, and she works in the Purchasing Office but is funded by PUD because they do a lot of procurements. The portion in yellow are the divisions within PUD of Water, Wastewater, Environmental and Billing.

Member Margetson noticed a lot of vacancies and asked if it is hard to fill them.

Director Jones said the whole division has over 250 positions. He would like to have a higher filled percentage, but it is a challenge, and many are specialized. That brings down the pool to choose from. The City tries to grow them if they cannot find those who are certified. And one vacancy will ripple through as promotions occur. He would like to get up to 85% filled from the current 80%. He did not know the turnover rate, but people do retire regularly, and he does a good job on retention.

Member Margetson asked what kind of positions are vacant.

Director Jones said water treatment staff have certain levels of certification. The Department does automated meter reading through a phone call report once a day with hourly reads. And that data comes into the system. The utility billing includes water,

wastewater and environmental. There are two costs - monthly service fee to cover fixed costs and a variable charge - that could fluctuate but monthly service charge should not fluctuate.

Member Margetson asked if material taken to the recycling center is going to the landfill or China.

Director Jones said, "All of those." He explained that SWMA Board is a joint board and environmental services go there. Public Utilities picks it up and transfers it to SWMA. Director Randall Kippenbrock is located near the land fill site on the west side and the Buckman Transfer Station on old Buckman Road.

Member Margetson asked if Albuquerque takes some of our recycling now.

Director Jones said Albuquerque takes the recycling. The contract was just awarded to a different firm now. There is equipment to sort recyclables at the land fill center. Some new standards from China now means we need to separate types of materials.

Director Jones said they now have lots of water coming down from all four sources. The reservoirs are approaching 100% full and he does not want to see the water running down. They rotate through, running the equipment periodically to keep it maintained. The challenge is what the right thing is to do.

Member Margetson asked if that means we are in good shape with water.

Director Jones said Santa Fe definitely has a robust water supply, but our conservation work is not done.

Member Margetson asked if Director Jones has been here a long time.

Director Jones said he has been with the City a little over 20 years and just completed his first year as Division Director.

Member Margetson asked how debts are handled on water bills.

Director Jones said they keep within the industry standard. They manage the aging accounts and there is not just one thing that fixes it. Managing data is also important. We do have recourse if an account is with water. We can turn off the water but can't stop wastewater and environmental service. We file liens on property, and have it automated now. We also work closely with the Santa Fe County Assessor. We now put the liens in batches of 50 to be efficient and save by having them under the same \$20 fee. It really affects people when they try to do something with their property.

Member Margetson asked about people whose water was turned off.

Director Jones was sure there are people with their water turned off. Some people have private wells. We run about 34,000 water accounts. So most people have water.

Member Margetson understood PNM and NMGS have a place to donate for someone else who cannot pay their bill. It can go toward the bad debts. He asked if that has come up before.

Director Jones said it has not, but they do work with low-income people on it.

Mr. Fluetsch said they can donate to the Santa Fe River Fund.

Director Jones agreed but it is not applied to the debt.

Chair Woodruff asked if Public Utilities was involved in the recent risk assessment.

Director Jones agreed.

Chair Woodruff asked if Public Utilities has adequate financial resources.

Director Jones said the risks do keep one up at night. Nothing alarming but there is potential for fraud and that needs constant monitoring of internal controls. We are constantly finding ways to do that better. July 1 is when cash handling will be moved under a Senior Financial Analyst and fall within Administration. We need to keep that monitored and the assessment should never go away.

Chair Woodruff asked if their budget is adequate.

Director Jones said that is a loaded question. We just did a cost of service last year and now taking on rate structures for how it is distributed across the classes. The Task Force has met once and will be looking at it and determine what tweaks are needed. He wanted to do a cost of service study every 3 years for how it serves our needs.

Wastewater just did a series of increases, so he believed it is in a good place.

This is first time we went for bonding and the bonds came in at AA+ rating. And we are making sure they are sound investments. Having the capital available is helpful when that opportunity comes up.

Mr. Fluetsch added that Public Utilities is probably the most profitable of all enterprise funds for the City.

Member Castillo asked if the City receives profit from the utilities.

Mr. Fluetsch explained that there is a franchise fee that Water pays the City.

Director Jones said the franchise fee is about 4% for about \$2 million annually.

Mr. Fluetsch said they also bill the departments for their services by assessment; not an invoice.

Member Margetson understood commercial properties, especially hotels, have a higher water rate and bear a higher burden.

Director Jones said that is what the Task Force is looking at - what it costs us to provide water to commercial users.

Member Margetson was amazed that, in spite of our growth, our use has not increased.

Director Jones agreed. There has been a reduction in water use over 10-15 past years. We incentivize people to use less water - even more with wastewater reduction. He explained how the system produces recycled water and where it is used afterward. The majority of treated effluent is used in irrigation.

Councilor Romero-Wirth joined the meeting at 2:40 p.m.

Member Castillo asked if there were no wells at reservoirs.

Director Jones agreed. The City has two well fields. One is east of town and Buckman on the west side of town. Santa Fe leads the area with conservation. The next 5-year conservation plan will be wrapped up soon.

Member Erpelding-Chacón thanked the City for the water app. It tells her if there is a leak upstairs at her home.

Director Jones thanked her for using it.

Member Castillo noted in the risk assessment, one top item was failing infrastructure and that is something we are not that aware of because it is all over the City. How serious a problem is it?

Director Jones said it is not so much because of collapse but because of the projects at \$1.6 million per year and one is our primary placement service. \$1.3 million has been spent each year on water infrastructure. We look at high impact crossings and find those risks when there is a collapse of an easement or an intersection. We now have technology to line the pipe.

Utilities tries to go in before roads are paved.

We are finalizing an asset management plan for the Water Division. The ultimate goal is to manage infrastructure and mitigate those issues.

Member Margetson thanked him for his tremendous work.

Director Jones said they typically enjoy what they do.

Chair Woodruff thanked Director Jones for his presentation and called it very impressive.

6. OLD BUSINESS

a. Continue discussion on 2019-2020 risk assessment approved by audit committee – 3 year plan

Chair Woodruff asked for any comments on the 3-year plan.

Member Castillo asked when the Committee could expect a report.

Director McCoy didn't think Public Utilities Department was in the audit plan.

Member Erpelding-Chacón said it is #6 in the audit plan.

Member Castillo added that we do see some digging going on.

Chair Woodruff said in proposed plan for 2020, public utility effectiveness is included. The focus is on billing, collections and customer service calls. They estimated 250 hours for the audit.

Chair Woodruff asked about the status of the RFP.

Director McCoy shared the schedule and pointed out that Audit Committee makes a recommendation to Council. She also built in time for any Audit Committee comments on the RFP. The Scope of Work has the standard clauses.

Member Castillo asked if any Committee members would sit on the interview panel.

Director McCoy agreed.

Chair Woodruff said she would be there.

Director McCoy said Audit Committee members will participate both in interviews and in evaluations. She recommended members review pages 9 - 12, which is the

scope of services, pages 13-14 which are the submittal requirements and page 15 has the evaluation criteria. She added that the City could select more than one company for the work.

Member Margetson was surprised with the monetary cost.

Chair Woodruff said typically, the cost has the experience of the auditor already built in. Reasonable cost (not just the lowest) is the aim. She felt the items were pretty complete and it was just how they are weighted.

Director McCoy pointed out that this is not the same format as used last time.

Chair Woodruff said the Committee will approve it finally at the July meeting.

Director McCoy agreed to send any changes in electronic format.

7. PUBLIC COMMENT

There were no public comments.

8. MATTERS FROM STAFF

There were no matters from Staff.

9. MATTERS FROM THE COMMITTEE

Member Castillo asked if the members found the presentation helpful.

Everyone agreed.

Director McCoy said it gives all members the opportunity to have a common denominator in operations and further inform your Committee business. The Finance Committee has very focused questions and will email them beforehand. That could be done that way by the Audit Committee.

Chair Woodruff said it sounds like Public Works should be next. They probably have the information already at hand, since we don't have an internal auditor staff person. "We are in this together."

Member Castillo asked for Public Works to present next time.

Mr. Fluetsch said that Department is enormous. It has Engineering, Streets and Maintenance that go hand in hand. Transit covers all transportation issues. Facilities includes all structures the City has.

Member Erpelding-Chacón asked about Fleet Management.

Mr. Fluetsch said Fleet Management is included in the Finance Department.

The Committee discussed which parts could be grouped together. They chose Streets, Engineering and Parking to be included, or also Transit.

Member Margetson mentioned the Airport, too.

Director McCoy agreed to arrange it for the July meeting.

Member Castillo asked if Councilor Romero-Wirth was on the mailing list and she said she was.

Member Castillo suggested having the City Attorney's Office present in September.

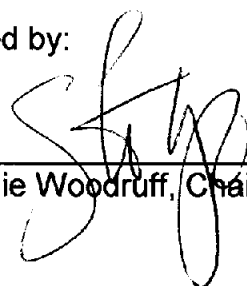
10. NEXT MEETING DATE

The Committee decided to change the normal meeting date and to meet on the second Wednesday in July, on July 10, 2019, at 2:00 p.m.

9. ADJOURNMENT

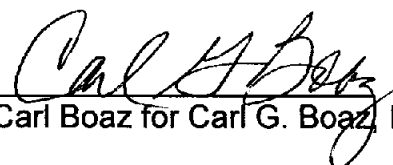
Upon motion by Member Margetson, and second by Member Castillo, the meeting was adjourned at 3:13 p.m.

Approved by:



Stephanie Woodruff, Chair

Submitted by:



Carl Boaz for Carl G. Boaz, Inc.